

Bombs Smash 2 U.S. Embassies in Africa, Killing 67

1,100 Are Injured by Explosions Adjacent to Buildings; 8 Americans Are Among the Dead

Compiled by Our Staff From Dispatches

NAIROBI — Terrorist bombs exploded minutes apart outside the U.S. embassies in Kenya and Tanzania on Friday, killing at least 67 people, injuring 1,100 and turning buildings into mountains of shattered concrete.

At least eight Americans were among the dead in Kenya and seven more were missing, a U.S. Embassy spokesman, Chris Scharf, said. In Washington, a State Department official could confirm only six dead — five embassy employees and a child — but said there may be more.

Kenyan state television reported that the death toll in the Nairobi blast was at least 70 but there was no immediate confirmation of that figure.

In the Tanzanian capital of Dar es Salaam, a U.S. embassy official said six people were killed,

After blast, glass falls like rain. Page 4.

including three Tanzanian guards and two locally hired embassy staff, and 58 people were injured when a car bomb exploded outside the embassy there.

There were no immediate statements by the perpetrators.

The United States immediately stepped up security levels at its embassies worldwide, and it will warn Americans about the dangers of travel to Kenya and Tanzania. The State Department was also set to issue a "worldwide public announcement" urging Americans to exercise "higher security awareness."

"There was no warning and there has been no claim of responsibility," said a State Department spokesman, Lee McCleary.

"These acts of terrorist violence are abhorrent, they are inhuman," President Bill Clinton said, interrupting a bill-signing ceremony in the Rose Garden to comment. "We will use all the means at our disposal to bring those responsible to justice no matter what or how long it takes."

The United States was rushing medical equipment and anti-terrorism teams, including FBI agents and U.S. Marines, to both countries.

In Nairobi, crowds crawled over the twisted and broken concrete and metal from a collapsed building looking for victims, calling out and waving their arms for help to pull bodies from the wreckage and to free trapped people crying for help.

"Once the rubble is cleared further, we expect to find more," said a Red Cross spokeswoman, Nancy Galle.

Another Red Cross worker added, "There are too many dead to count."

Hospital authorities in Nairobi said more than 1,200 people were injured in the blast and issued an appeal for blood.

The Islamic Jihad, a successor to the group that assassinated President Anwar Sadat of Egypt in 1981, vowed last week to strike American interests because some of its members had been arrested in Albania and handed over to Egypt, according to a report Thursday in Al Hayat, an Arabic-language newspaper in London.

Police officers in Nairobi were seen taking an Arabic-speaking man into custody, but authorities made no immediate comment.

In the Middle East, the bombings drew attention to several recent warnings by terrorist groups of possible attacks on American targets.

The most recent was issued only Thursday, when the Jihad, or Holy War, organization, one of Egypt's two main militant groups, warned of "reprisals" against the United States because three "brothers" had secretly been extradited to Egypt from an East European country, apparently Albania.

One of those militants reportedly has been sentenced to death in Egypt by a military court, a Western diplomat in the region said Friday.

According to a news report on the Arabic-language Radio Monte Carlo, which was picked up by Israeli Radio, the Jihad statement said: "We want to inform the Americans that we have received their message and are preparing a response. Watch out."

According to a report by Agence France-Presse, an Albanian Interior Ministry spokesperson acknowledged that at least two known Egyptian Islamists were "apprehended" in July. The spokesman was quoted as saying: "The operation was carried out by the Albanian police, who handed the men over to the secret service of a third country."

Some Western diplomats said they discounted the prospect that Jihad militants could have carried out retaliatory bombings so quickly. But the organization has carried out a strikingly similar car bomb attack, sending a suicide bomber to blow up the Egyptian Embassy in Pakistan in November 1995.

Exiled leaders of the Jihad and



Syed Azim/The Associated Press



Khalil Senosi/The Associated Press

An unidentified man, at left, helping the U.S. ambassador to Kenya, Prudence Bushnell, as she is evacuated from the embassy in Nairobi on Friday after a terrorist bomb ripped through it. Another explosion struck almost simultaneously at the U.S. Embassy in Dar es Salaam, Tanzania. Above, rescue workers carrying a blast victim out of the damaged embassy in Nairobi. At least 67 people were killed in the two attacks.

Attacks an Act of War, Allowing U.S. Reprisal

By Barry James
International Herald Tribune

PARIS — The attacks on the U.S. embassies in Kenya and Tanzania were of war and the United States could take reprisals against the bombers under international law without approval of the United Nations, terrorism experts said.

"If the Americans find Iraqi connections that could lift the lid right off," said William Gutteridge, director of the Research Institute for the Study of Conflict and Terrorism in England. "If this were the case, I would not be surprised if there were a direct action against Saddam Hussein."

Although a Middle East link has not been established, experts said this was a possibility, given the close historical Arab links with East Africa.

The experts also said that U.S. interests could have been targeted by terrorists in Sudan or in Somalia, both of which share Kenya's northern border.

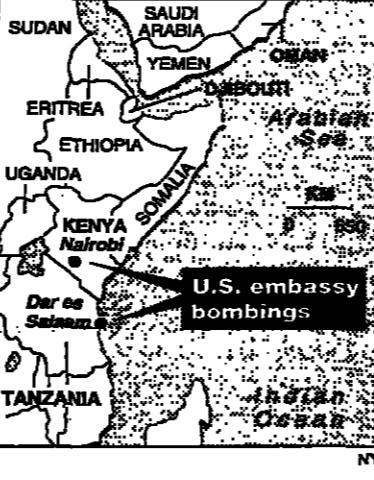
There had been no overt anti-Americanism in either Kenya or Tanzania. Official concern in Kenya has been more about street crime and banditry rather than terrorism.

"These are very pro-American countries, reaching out, engaging in aid, engaging in trade, good diplomatic relationships bilaterally — so it seems that they were used as convenient sites," Jesse Jackson, the U.S. special envoy to Africa, said in an interview with Cable News Network.

The United States had Kenyan bases during the Gulf War in 1991 and the UN-backed operation in Somalia in 1992, as well as in supporting relief operations following the massacres in Rwanda in 1995.

Both Nairobi and Dar es Salaam appeared to represent a relatively soft target for the terrorists, with the embassies centrally located and accessible by road.

Bombs of the size used Friday would require an exceptional quantity of explosives if they were made of such easily obtainable local materials as fer-



Speculators Intensify Attack on Asian Money

Yuan and Hong Kong Dollar Face Pressure

By Sandra Sugawara
Washington Post Service

TOKYO — Speculators are intensifying their attacks on Asian currencies in the face of worsening economic news from China and Hong Kong and skepticism over Japan's efforts to stimulate its economy.

Increasing pressure to force the devaluation of the Hong Kong dollar and the Chinese yuan contributed to the weakening of the yen and currencies across the region, traders said Friday. Vietnam devalued its currency, the dong, by 7 percent.

Some economists fear that currency devaluations by China and Hong Kong could trigger a new round of competitive devaluations by other Asian nations, bringing about a dramatic worsening of the economic crisis in a region already facing a serious recession and severe unemployment.

Hong Kong's chief executive, Tung Chee-hwa, warned speculators Friday that the government was "totally able and determined" to keep its currency pegged to the U.S. dollar, according to Reuters. The Hong Kong Monetary Authority acknowledged it sold U.S. dollars this week, although it insisted the action was not intervention, but rather aimed at obtaining money for funding the government budget.

"The attacks have intensified this week," said Adam Levinson, head of trading for Goldman Sachs International Bank in Tokyo. He estimates that the Hong Kong Monetary Authority spent about \$5 billion or more this week to protect the peg. "Asia's in play again," he said.

Traders said a number of factors have converged to create a new erosion of confidence in Asia. In Hong Kong, the high interest rates needed to protect the currency have hit profits and sent the economy, the stock market and real estate values sliding. But Hong Kong authorities say keeping the peg to the dollar has protected Hong Kong from the more volatile currency movements that have hurt banks and businesses in other Asian countries.

Meanwhile, private growth estimates for China have been growing more pessimistic, as evidence emerges that Asia's recession has hit China harder than originally estimated. More recently, it appears that the massive flooding, which has caused thousands of deaths and millions of homeless in China, will have a

The Dollar		
New York	Friday 8:4 P.M.	previous close
DM	1.78	1.772
Yen	146.2	144.275
FF	5.986	5.942
Pound	1.6295	1.6348
Dollars per pound		
The Dow		
Friday close		percent change
+20.34	8,598.02	+0.24%
S&P 500		
-0.18	1,089.45	-0.02%
Nasdaq		
+17.26	1,846.77	+0.94%

Funds Vanished In Scam Linked To Government, Chinese Charge

By Michael Laris
Washington Post Service

BEIJING — Hundreds of angry investors staged two bold demonstrations in the heart of China's capital Friday, demanding that authorities reimburse millions of dollars they claim was swindled by officials from a futures trading house with government connections.

Dozens of police stood guard around the ornate marble entrance to the Xinguo Futures Co., Ltd., in eastern Beijing, but they did not try to break up the more than 700 peaceful demonstrators who stood on the company grounds for six hours.

Demonstrators also gathered near Tiananmen Square and tried to march to the main gate of the Communist Party headquarters, Zhongnanhai, but they were blocked by police, participants said.

Police were seen Friday inside the company offices searching for clues. Company representatives said that four top managers appeared to have fled, including one executive, a Taiwanese businessman, who the company said holds an American passport.

Millions of Chinese are now especially vulnerable to bad investment advice, unscrupulous get-rich-quick schemes, and old-fashioned fraud.

China's swift market reforms have broken the cradle-to-grave system of social benefits known as the iron rice bowl, and ordinary citizens are being forced for the first time to plan for their own financial futures.

Many of the people who invested with Xinguo had recently been laid off. The company promised astronomical returns and guaranteed jobs for others.

See CHINA, Page 4

Lewinsky Tells Grand Jury Of 18-Month Clinton Affair

By Peter Baker
Washington Post Service

WASHINGTON — Monica Lewinsky has told a federal grand jury that she engaged in numerous sexual liaisons with President Bill Clinton at the White House, recanting her statement in the Paula Jones lawsuit and contradicting the president's sworn and televised denials, a source familiar with her testimony said.

Ms. Lewinsky, 25, the former White House intern whose ties to Mr. Clinton now threaten his presidency, offered the jury Thursday the same account that she previously provided the independent counsel, Kenneth Starr — a tale of an 18-month affair that they tried to cover up, the source said.

While Mr. Clinton never directly asked her to lie in the Jones case, Ms. Lewinsky told investigators that she and he developed "cover stories" to hide their sexual involvement.

Ms. Lewinsky's arrival at the federal courthouse here capped the 28th week of grand jury proceedings that were sparked by her tape-recorded descriptions of a sexual relationship that both she and Mr. Clinton denied under oath.

See CLINTON, Page 3

AGENDA

Starr's Office Violated Secrecy Rule, Judge Finds

WASHINGTON (AP) — President Bill Clinton's lawyers have provided enough evidence to indicate that the staff of the independent counsel Kenneth Starr violated grand jury secrecy laws, a federal judge has found, according to court documents released Friday.

Lawyers for Mr. Clinton and White House aides "have established prima facie violations" of the secrecy rule that prohibits disclosure of any grand jury material, Judge Norma Holloway Johnson of U.S. District Court ruled. Even one news article with leaked information could establish a violation, she ruled, adding, "The court finds that several articles establish prima facie violations."

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The Intermarket Pages 5, 13.
The IHT on-line www.iht.com

See YUAN, Page 13

NEW YORK — Federal officials have charged the operators of a stylish restaurant and a private men's club in Manhattan with selling banned Cuban cigars.

On Thursday, four other men were also arrested on cigar-related charges.

On Wednesday, federal agents armed with search warrants seized hundreds of boxes of cigars from the

walk-in humidor of the Patroon Restaurant on East 46th Street and the Racquet and Tennis Club on Park Avenue. A federal spokesman put the value of the cigars at several hundred thousand dollars.

Robert Grossler, a manager at the Racquet and Tennis Club, and Alex Hasbany, the manager of the cigar room at the Patroon, were arrested on charges of conspiring to violate the Trading With the Enemy Act by buying and selling cigars made in Cuba.

The four others arrested Thursday were released on their own recognizance. "This makes no sense,"

See ATTACKS, Page 4

Newstand Prices

Bahrain	1,000 BD	Malta	55 c
Cyrus	C £ 1.00	Nigeria	1,200 Naira
Danmark	14,00 DK	Oman	1,250 OR
Finland	12,00 FM	Qatar	10,00 QR
Gibraltar	£ 0.85	Rep. Ireland	IR £ 1.00
Great Britain	£ 0.90	Saudi Arabia	10 SR
Egypt	£ 5.50	S. Africa	R12 + VAT
Jordan	1,250 JD	U.A.E.	10,00 Dh
Kenya	K SH 160	U.S. M.	\$ 1.20
Kuwait	700 Fils	Zimbabwe	2m \$40.00

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BRIEFLY

Europeans Press NATO on Kosovo

PARIS — The Western European Union called Friday for NATO to intervene in Kosovo, saying immediate military action was needed to end the war there.

The Western European Union comprises 10 full members and 18 observers. It is the only defense body that purports to speak for Europe alone.

"It is now clear that the use of force is the only means of bringing about a political agreement with which the parties must be forced to comply," the president of the union, Luis Maria de Puig, said in a statement headlined "Enough is Enough."

(Reuters)

Turkey to Ask U.S. Not to Arm Greece

ANKARA — Turkey will try to persuade the United States to halt anti-aircraft missile sales to Greece, the Anatolian news agency said Friday.

It said Turkey would present evidence to U.S. officials showing Greek government aid to guerrillas of the Kurdish Workers Party in Turkey. It said Turkey was worried that U.S.-shouldered Stinger missiles would fall into Kurdish rebel hands.

Greece denies Turkish accusations that it aids the Kurdish rebels.

Turkey has threatened military force to prevent the deployment this year of Russian-made anti-aircraft missiles by the Greek Cypriot government.

(Reuters)

Kohl's Chosen Heir Still Wants the Job

BONN — A spokesman for Wolfgang Schaeuble, Chancellor Helmut Kohl's preferred successor, dismissed speculation that Mr. Schaeuble was no longer interested in the top job.

"All the speculation is wrong," Mr. Schaeuble's spokesman, Walter Bajor, said.

Mr. Kohl, trailing in the polls, has said repeatedly he would like Mr. Schaeuble to succeed him — without saying exactly when.

Ingeborg Schaeuble, Mr. Schaeuble's wife, was quoted this week — less than eight weeks before elections — as saying that her husband ought to remain leader of the Christian Democratic Party in Parliament.

(Reuters)

Correction

A report in Thursday's editions about the rebellion in Congo misidentified the organization that a rebel leader, Arthur Z'ahidi Ngoma, once worked for. It is the United Nations Educational, Scientific and Cultural Organization, not the United Nations Children's Fund.



FULL RATION — Women using pots to ward off the sun while waiting for food allotments Friday in Baghdad.
Karin Sallat/Agence France-Presse

French Ex-Minister Is Under Inquiry

By Craig R. Whitney
New York Times Service

PARIS — A conservative former French defense minister and an aide were formally placed under investigation Friday on suspicion of participating in a money-laundering scheme to finance their political party.

Francois Leotard, who considered running for the presidency of France three years ago, emerged from a session with an investigating magistrate, Laurence Vichnievsky, in a fury, yelling, "A fist in the face," to a reporter who asked him what had happened. Under French law, being placed under investigation is one step short of being charged.

Officials said that the investigation, one of scores over the past decade that have exposed shakedowns, phony front companies and systematic fraud in the financing of French political parties, was focused on 5 million francs (\$840,000) in small bills that were deposited in a Luxembourg bank for Mr. Leotard's Republican Party in June 1996.

Simultaneously, according to lawyers familiar with the case, the party, later renamed Liberal Democracy, received a loan in the same amount from an obscure Milan bank. The money was needed to finance the purchase of the party's Paris headquarters, according to Mr. Leotard's supporters.

Mr. Leotard's lawyer, Jean Veil, said his client had denied all charges of wrongdoing, as had the aide placed under investigation with him, Renaud Denodieu de Vabres.

French press reports have said that Mr. Leotard had told investigators that the cash came from savings in special funds provided to the party by the prime minister's office. The investigating judge is said to be pursuing charges that the Milan bank, the Fondo Sociale di Cooperazione

Europe had agreed to be used as a front and not to claim repayment of the loan.

French law since 1995, after a wave of party financing investigations and indictments, has forbidden corporations and — presumably, the government — from making political contributions. Allowances are openly provided to established political parties from public funds.

Mr. Leotard, 56, was defense minister in the conservative government of Prime Minister Edouard Balladur from 1993 to 1995. Since 1996, he has headed the Union of French Democracy, a centrist conservative umbrella group that

fractured this year after some of its leaders accepted support from the extreme-right National Front in order to hold power in regional parliaments. Mr. Leotard's own party left the Union of French Democracy then.

He and Philippe Seguin, the leader of Rally for the Republic party, announced in May the formation of a conservative umbrella group called the Alliance, in hopes of rebuilding the French right after it lost legislative elections last year to a leftist coalition headed by Prime Minister Lionel Jospin, a Socialist.

A Call for Concentration Camps

French Journal's Editorial on Immigrants Provokes Outrage

Reuter

PARIS — French politicians, Jewish groups and anti-racism activists assailed a far-right newspaper Friday for calling for police roundups and concentration camps to rid France of illegal immigrants.

National Hebdo, a weekly that supports the National Front party and its leader, Jean-Marie Le Pen, ran a front-page editorial that said Nazi methods were "indispensable tools for a just cause."

The Representative Council of French Jewish Institutions said the editorial was a provocation for people who had lost relatives in the Holocaust.

"It is scandalous to find such proposals in a French journal," it said.

The editorial appeared after a small group of illegal immigrants occupied the Vatican's Paris embassy last weekend in a bid to obtain residence permits.

Both the Vatican and France's Socialist government reacted cautiously to the demonstration, urging the occupiers to end their protest voluntarily.

The editorial said the embassy sit-in was absurd. It called for the immediate expulsion of illegal immigrants, saying: "If police roundups and concentration camps are required, that is not a problem."

National Hebdo added a footnote to its editorial to tell "leftist journalists" that its wording had been carefully chosen.

"It is intended to remind us that the shameless exploitation of the Holocaust has served, among other things, to render unthinkable the use of certain indispensable tools for a just cause," it said.

The editorial's author, Georges Lefebvre, said the paper's editor had written the article to provoke a reaction.

"It is scandalous to find such proposals in a French journal," it said.

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Serb Forces Overrun Rebels' Former Base

Offensive in Kosovo Appears 'Nearly Over'

The Associated Press

PRISTINA, Yugoslavia — Serbian forces overran the former headquarters of Albanian rebels in central Kosovo on Friday and appeared to have driven the secessionists from most of their remaining strongholds in the strategic region.

A top Serb police official, speaking on condition of anonymity, said the offensive in Kosovo, which had uprooted nearly 200,000 people and left hundreds dead, was "nearly over."

He said that the remaining reports of fighting were only "final mopping-up operations" against ethnic Albanian militants and their remaining pockets of resistance.

Last Friday, Serbian forces entered the village of Likovac, where the U.S. envoy, Christopher Hill, met last week with commanders of the Kosovo Liberation Army. Under sniper fire, the troops moved from house to house, clearing out the last pockets of resistance in the village and setting fire to houses and haystacks.

Elsewhere in the region, Kosovar troops were fleeing from advancing Serbian forces.

Serbian sources said most of the fighting was now centered on escape routes into Albania, where the rebels maintain sanctuaries. In the Albanian capital of Tirana, state television reported that 71 refugees had crossed into the country from Pristina in the last 24 hours.

The ethnic Albanian leader Ibrahim Rugova accused Belgrade of molesting "hundreds" of Albanians in prisons that have become "mass camps."

"We are demanding international protection, and we would appreciate any international intervention to stop the Serb war machine," Mr. Rugova said in the provincial capital of Pristina.

Mr. Rugova's aides said he spoke Friday with Secretary of State Madeleine Albright, who expressed support for his "peaceful policy" in resolving the crisis. The statement made no mention of any promise of U.S. military intervention.

Mr. Rugova declared Friday a day of mourning for hundreds killed in the Serbian offensive. About 2,500 Albanian women held a brief candlelight vigil in Pristina in solidarity with those affected by the fighting.

The UN refugee agency estimates that roughly 200,000 people have fled to Kosovo's woods and hills, many of them lack food, water and other essentials. Officials worry that searing summer temperatures and a lack of hygiene could cause disease to set in.

In Washington, the Pentagon announced that hundreds of U.S. Marines are to participate in NATO military exercises in neighboring Albania and Macedonia in the coming months, starting with a one-week maneuver that begins in Albania on Aug. 12.

A NATO spokesman at the meeting of the North Atlantic Council on Friday in Brussels said plans for possible military intervention in Kosovo were

nearly complete.

In Paris, Anne Gazeau-Secret, a Foreign Ministry spokeswoman, said that if President Slobodan Milosevic of Yugoslavia did not heed calls to start a political dialogue and stop military action, she faced "all the consequences, and I make a point of saying all."

France and Germany are planning a joint mission to Belgrade on Wednesday to assess the situation.

But with the Kosovars clearly on the run, it appeared likely that fighting could end simply because the Serbs have gained the upper hand.

Kosovo is a province in southern Serbia, where ethnic Albanians, who demand independence, represent 90 percent of the population. Serbia and the smaller republic of Montenegro make up what is left of Yugoslavia.

Convicted Killer Of Mountbatten Gets Out of Jail

Agence France-Presse

DUBLIN — An Irish Republican Army guerrilla who murdered Earl Mountbatten, a member of the British royal family, was freed from prison late Thursday under the terms of the Northern Ireland peace agreement, Irish officials said.

Thomas McMahon, 50, was convicted of killing Lord Mountbatten, the Dowager Lady Brabourne and two others. They died in an explosion on their small fishing vessel off the northeastern coast of Ireland in August 1979.

Earl Mountbatten was a cousin of Queen Elizabeth II and the last viceroy of India before independence in 1947.

Mr. McMahon has been released temporarily on an almost weekly basis for the past two years as part of a pre-release program agreed to by the Irish government. He was one of the longest-serving prisoners in Ireland.

Last weekend, the Irish government freed six Irish Republican Army members from the high security Portlaoise prison near Dublin under the terms of the April 10 peace deal. It permits the early release of convicted terrorists from paramilitary organizations that observe a cease-fire. The IRA and the two main Protestant militias, the Ulster Volunteer Force and the Ulster Defense Association, currently qualify.

Mr. McMahon, from County Armagh in the south of Northern Ireland, gave up his links with the IRA more than a decade ago and was being kept in custody at the long-securitied Maze prison in Belfast after his transfer from Portlaoise.

He had spent a considerable amount of time on pre-release visits to family and friends before the announcement Thursday.

TRAVEL UPDATE**Mount Olympia Fire Rages On**

ATHENS (AP) — Fires that have scorched land around the Greek capital for the last week began to abate Friday, but a blaze continued on Mount Olympia, firefighters said.

The situation in parts of the southern Peloponnes region deteriorated Friday, as the districts of Elide, Messenia and Arcadia were placed under a state of emergency.

Greek firefighters mounted a massive effort Thursday to save ancient Olympia, the home of the Olympic games, from a blaze that passed within kilometers of the site in the west Peloponnes.

BA Discounts Fares This Weekend

LONDON (Bloomberg) — British Airways will sell as many as 2 million tickets at discounts of up to two-thirds this weekend in what the carrier called its biggest summer sale in years.

Most of the discounts are for flights from London to Continental Europe, including round-trip tickets to Paris for £9 (\$110), Nice for £79 and Barcelona for £99. It is also selling a handful of long-haul flights at discounts, including Bermuda for £199 and Dubai for £259.

Travel must take place between Saturday and Nov. 30, with a minimum two-night stay, and the tickets must be booked by midnight Sunday.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.



Map, forecasts and data provided by AccuWeather, Inc. <http://www.accuweather.com>

Europe

Today High Low W/C High Low W/C

Alps 30/21 23/13 c 27/20 14/5 a

Scandinavia 30/21 23/13 c 27/20 14/5 a

UK 30/21 23/13 c 27/20 14/5 a

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South America

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Brazil 30/21 23/13 c 27/20 14/5 a

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Latin America

House Votes To Overhaul Campaign Financing

By Alison Mitchell
New York Times Service

WASHINGTON — Ending a struggle that has gone on for months, the House has approved a bipartisan bill to overhaul the way the nation's political campaigns are financed, shifting the spotlight back onto the Senate.

In a final rebuke to the Republican leadership, the House vote for passage of the bill — sponsored by Christopher Shays, Republican of Connecticut, and Martin Meehan, Democrat of Massachusetts — was 252 to 179. That was even stronger than a preliminary vote this week.

Despite the surprising resiliency of the issue in the House, the legislation is thought to have little chance in the Senate, where it obtained the support of a bare majority earlier this year and died in a Republican filibuster.

"The Senate has dealt with this issue already," said John Czwartacki, a spokesman for Trent Lott, majority leader of the Senate. "There's no more of a consensus now than there was in the spring."

But heartened by a victory that would have seemed improbable just a few months ago, the bipartisan House coalition immediately turned its attention to the Senate.

Shortly after the vote, Representative Zach Wamp, Republican of Tennessee, waved in the air the green-covered record of last year's campaign finance hearings in the Senate, which focused on the abuses of the 1996 presidential election.

"The Senate started this process," Mr. Wamp said. "We have paved the way. And we want the American people to weigh in over the next five weeks, get on the phone and get the Senate to take this issue back up in September."

Mr. Lott should be asked "a simple question," said Representative Tom Allen, Democrat of Maine. "What's wrong with a bill that has majority support in the House of Representatives and majority support in the Senate?"

The Shays-Meehan legislation would effectively end so-called soft money, the unlimited and unregulated donations to political parties used to evade post-Watergate limits on contributions to individual candidates.

It would more strictly regulate independently sponsored ads that identify a candidate within 60 days of an election.

BRIEFLY

Opposition Rejects Burma Talks Offer

RANGOON — Burma's military government offered concessions to the opposition led by Daw Aung San Suu Kyi on Friday, the day before the 10th anniversary of a bloody army crackdown on pro-democracy campaigners.

The government invited the National League for Democracy to meet with the deputy minister for home affairs, Myint Maung, at the ministry Saturday. But the invitation excluded Daw Aung San Suu Kyi and two other senior league members, and the league turned down the talks, a spokesman for the ruling State Peace and Development Council said.

The government also said that it was prepared to comply with a request from Daw Aung San Suu Kyi that it withdraw guards from the grounds of her Rangoon house. Earlier Friday, witnesses said the number of security guards at Suu Kyi's home had been doubled, to about 15.

One diplomat said the government appeared to want to calm tension between the two sides before the August 8 anniversary. (Reuters)

Pakistan Reshuffle

ISLAMABAD, Pakistan — Finance Minister Sartaj Aziz took over Friday as foreign minister in the first cabinet shuffle by Prime Minister Mian Nawaz Sharif of Pakistan since nuclear tests in May, officials said.

Mr. Sharif appointed the economist Hafiz Pasha as his adviser on finance to grapple with the economic crisis sparked by international sanctions imposed after the tests.

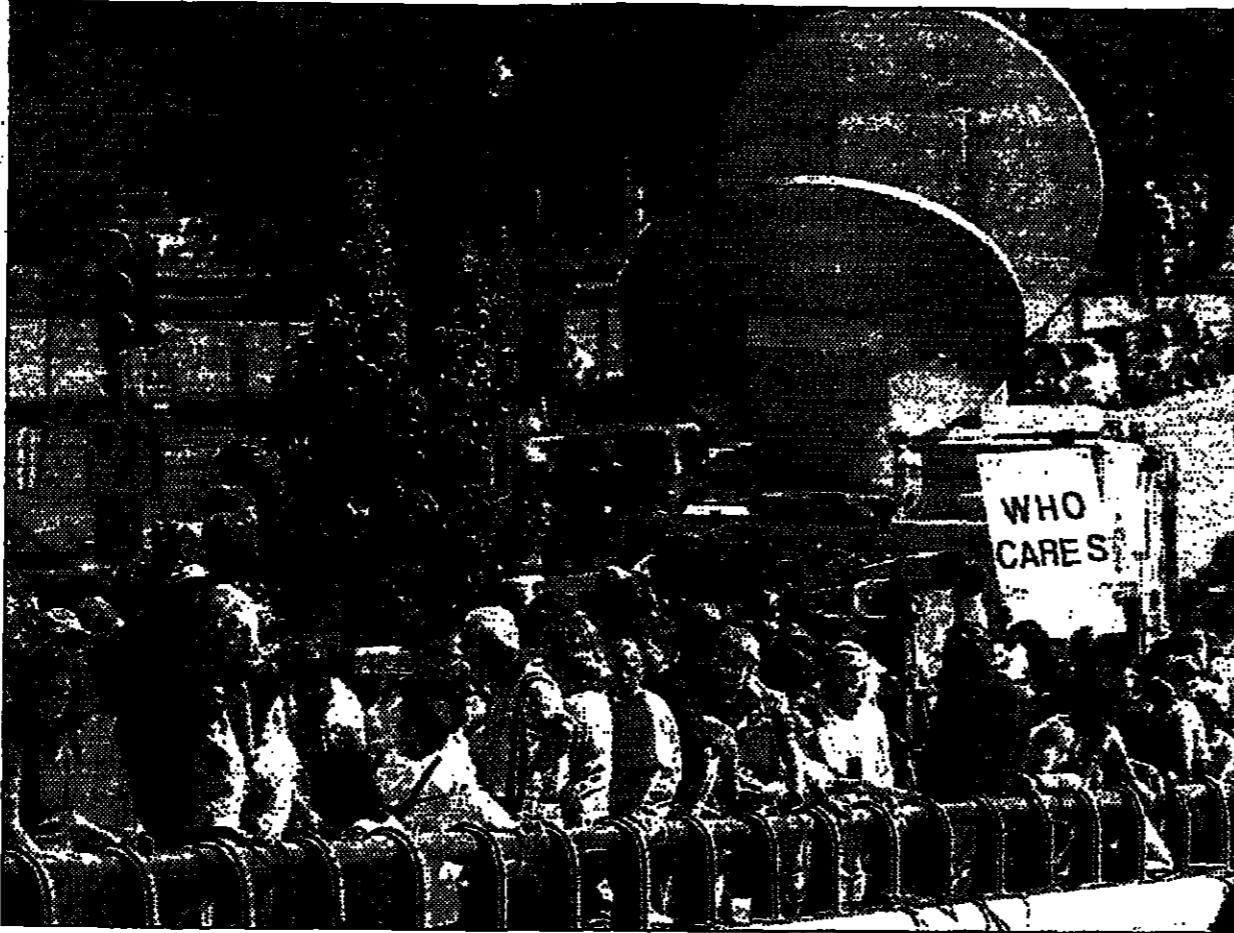
The new foreign minister's major task is to handle negotiations with the United States and other major powers pressuring Pakistan and India to sign the Comprehensive Test Ban Treaty. (AFP)

Peru Power Struggle

LIMA — Prime Minister Javier Valle Riestra of Peru has offered to resign, saying it would be "madness" for him to stay in office given his differences with the administration of President Alberto Fujimori.

Mr. Valle Riestra, a former political opponent whom Mr. Fujimori named to the post two months ago, said he was resigning because of repeated clashes with hard-liners in the administration.

Mr. Fujimori surprised even his own supporters when he appointed Mr. Valle Riestra. Analysts say it was an attempt to improve his government's authoritarian image. (AP)



Tourists and journalists waiting near the courthouse in Washington while Monica Lewinsky was questioned. (The Associated Press)

Lewinsky Fuss Puzzles Many in U.S.

It Makes Us Monkeys in Front of the Whole World,' Citizen Says

By Josh Getlin
and Richard Winton
Los Angeles Times Service

Far from the media echo chambers of Washington and New York, most Americans are not exactly holding their breath over daily developments in the scandal of President Bill Clinton and Monica Lewinsky.

On Main Street, the majority do not wait for bulletins about the latest grand jury witness. Few scour the headlines for news of Kenneth Starr's court victories, and even fewer seem to care about the partisan winners and losers.

"It's nobody else's business, it's all between him and Mrs. Clinton," said Patricia Jones, arranging religious artifacts for sale in Atlanta's historic Sweet Auburn Curb Market. "The press is blowing it all out of proportion, and I'm tired of it."

In the Chicago Institute of Art, Mark Jimenez echoed that view, saying: "I don't want to avoid the truth. But isn't there other news in America that's more important than this?"

From a Miami Beach seniors center and a Pasadena, California, bookstore to

a Colorado small town and a New Jersey diner, Americans may have different reactions to the scandal, but most seemed to agree on one thing: The story has taken up too much time and prevents the nation from focusing on more pressing issues.

"Our representatives know how we feel, so let's tell them: 'Enough is enough!'" said Anne Rice at a Miami Beach seniors center.

From the beginning, pollsters say, most Americans made up their minds on the scandal. They believed the president had sex with his intern, and most concluded that he had not told the truth.

They are troubled by his personal behavior but do not believe that he should resign or be impeached.

Many are repelled by the sexual naughtiness of the story, but that has not prevented others from following the saga with fascination. Whether these attitudes will shift after the Lewinsky's grand jury testimony is unclear, but pollsters who have been tracking the scandal say grassroots distaste for it remains strong.

How big is the gap between Washington and Main Street?

"It's very real," said Kathleen Frankovic, who directs polling for CBS News. "I was in Seattle last week, and this is not what people are talking about."

Indeed, there may be a growing number willing to tolerate some level of presidential lawbreaking. According to a January ABC poll, 65 percent said Mr. Clinton should resign if he had lied under oath about the affair.

In a poll released last week, however, ABC found that only 45 percent believed he should resign if he had lied. Perhaps most remarkably, only 29 percent of Americans are following the story closely, according to the Pew Research Center.

The talk is hot inside a brick diner in New Jersey, as truckers sip coffee and smoke. Many of them come to Bambi's��cheechee in North Brunswick every day, where signs on the wall advertise homemade soup and meatloaf platters.

"This scandal is so publicized and open now, it's bad for the international view of the presidency of the United States," said the owner, Toni Sardis, 51. "It makes us monkeys in front of the whole world."

POLITICAL NOTES

Gingrich Shifts Tack In Push for Tax Cut

WASHINGTON — Newt Gingrich, speaker of the House, has conceded that huge tax cuts would probably have to be put off to next year, but House Republican leaders said they would forge ahead this fall with a more modest tax cut in the belief that President Bill Clinton would ultimately accept it.

In meetings with fellow Republicans over the last week, Mr. Gingrich has said Mr. Clinton will probably accept a bill cutting taxes by a maximum of \$70 billion to \$80 billion over five years.

On the one hand, the speaker's decision Thursday can be seen as a retreat in the face of opposition from Mr. Clinton and moderate Republicans. Mr. Gingrich and other conservatives had been promoting legislation that would cut taxes by \$167 billion over five years and by \$700 billion over 10 years.

On the other hand, Republicans said, the strategy could prove to be a big advance toward getting a tax cut enacted into law this year.

Senate Republicans had made clear that they would not approve tax cuts of the magnitude that Mr. Gingrich originally wanted. And the White House sounded cool even to a more modest tax cut.

Calls for a tax cut have been spurred by the projection of a \$63 billion budget surplus this year. (NYT)

nature will open thousands of classified World War II and Cold War-era files on Nazi war crimes and criminals.

The president has indicated his support for the legislation, the Nazi War Crimes Disclosure Act.

Several government agencies, including the CIA, the State Department and the Defense Department, previously refused to declassify the documents, citing national security.

"Some of the information might prove embarrassing for the United States," said Representative Carolyn Maloney, Democrat of New York, who sponsored the bill in the House. "But there are important lessons to be learned from some of those documents."

The House passed it Thursday by unanimous voice vote. The Senate in June approved the legislation.

The bill would create a multi-agency group to administer and release documents. It also would require the government to disclose now-secret information about individuals who participated in Nazi war crimes and what their relationship was to U.S. intelligence agencies.

The legislation also would smooth the way for historians and Holocaust survivors to obtain documents. (AP)

Quote/Unquote

Representative Asa Hutchinson, Republican of Arkansas, reflecting Thursday on the ambivalence within the Republican Party over the possibility of impeachment proceedings against President Bill Clinton: "The assumption is that something is coming in our direction. I don't think we want to receive it, but it's a duty that we have to deal with it when it comes, not at a politically convenient time." (NYT)

Files on Nazi Crimes Likely to Be Opened

WASHINGTON — Legislation awaiting President Bill Clinton's signature

• The burgeoning Hispanic population in the United States is nearing 30 million and in seven years will overtake blacks as the country's largest minority group, the Census Bureau reported. (AP)

• Police officers in Olympia, Washington, were searching for four young bank robbers — one as young as 12 — who displayed the kind of cool usually expected from hardened criminals, robbing a bank in just 53 seconds. (AP)

• Thousands of travelers were ordered out of Los Angeles International Airport terminal and three planes were evacuated after a handgun was spotted in a woman's carry-on bag. She disappeared before agents could check the bag. (AP)

• The Social Security Administration has paid U.S. state prisons and local jails more than \$6.2 million in bounties for uncovering 17,280 inmates who were collecting welfare benefits while behind bars. (AP)

• Prosecutors argued against bail for a 69-year-old Philadelphia woman accused of suffocating eight of her children half a century ago, over a period of 19 years. (AP)

• A former Green Beret sergeant has filed a \$100 million defamation suit against CNN, one of its leading correspondents, Peter Arnett, and Time magazine for a report, later retracted, claiming that his unit used deadly nerve gas on American deserters in Vietnam. (AP)

Away From Politics

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CLINTON: Lewinsky Tells Grand Jury About Relationship

Continued from Page 1

that to address any conflicting statements by the president, legal experts said.

Compared with other central figures in Mr. Starr's investigation, Ms. Lewinsky had a strikingly brief visit with the grand jurors, who had listened to her voice for months on the secretly recorded tapes and apparently were eager to hear her account delivered in person.

Mr. Starr's office was familiar with what Ms. Lewinsky would have to say, having spent most of eight days debriefing her in detail. She resisted testifying until Mr. Starr gave her and her parents full immunity from prosecution last week in exchange for her cooperation.

For Ms. Lewinsky, the session brought her full circle. On Jan. 7, she signed an affidavit in which she said, "I have never had a sexual relationship with the president." Over the last week, she has explained to prosecutors how she came to make that assertion, growing emotional at times as she has done so.

Thursday, when prosecutors quizzed her about sensitive subjects, was particularly difficult.

"It was very hard for her to talk about private matters in public," said a person close to the situation.

Among other things, Ms. Lewinsky was asked about her dealings with Mr. Clinton's friend, Vernon Jordan Jr., and the presidential secretary, Betty Currie, and whether

dismissed the Jones case in April.

Denying It, Rwanda Shells Congo

By Karl Vick
Washington Post Service

CYANGUGU. Rwanda — Congo, just a few steps away across a rickety wooden bridge, continues to insist that the Rwandan Army is involved in the military rebellion threatening the rule of President Laurent Kabila. Rwanda's government continues to insist that it is not.

Those denials were lost in the roar of the canon firing into Congolese territory from the grounds of the Mururo Secondary School here on Monday. The artillery, manned by Rwandan Army regulars, was plainly visible to Cyangugu residents walking home from work while a battle between loyalist troops and mutineers for the Congolese city of Bukavu raged barely a kilometer away.

The next morning, people here watched as Rwandan soldiers clambered up the bank on the Congolese side of Lake Kivu, which tapers to a stream here at its southern end. Others reported seeing Rwandan troops filing across the wooden bridge that links this scenic little town with the much-larger Bukavu.

The fighting, which subsided at the end of the week except for an occasional gunshot, has kept residents of Bulwak indoors, according to aid workers with contacts on the Congo side. The Cyangugu side has remained relatively unaffected.

One resident said that the outbreak appeared to solve the mystery of a Rwandan Army camp that sprang up suddenly outside town. Residents of the village of Cyimbogo were told that more than 50 soldiers were joining their community because of local activity by "infiltrators."

The term refers to extirminists Rwandan Huns, such as those who killed more than 500,000 Rwandans, mostly members of the Tutsi minority, in 1994.

The extremists have been waging a campaign of terror in parts of Rwanda, using bases in the country and in Congo.

But villagers had not seen any infiltrators in months. The soldiers "camped there for a week," said the Cyangugu resident, "but they couldn't convince people there were infiltrators. Then on Sunday, when this all started, they all disappeared."

Rwandan officials cling to their denials despite the skepticism born of 1996, when they issued the same denials about involvement in the same neighboring country, only to acknowledge months later that their army had, in fact, fought in the civil war that made Mr. Kabila ruler of Congo.

On Thursday afternoon, the local Rwandan commander gestured toward the hillside looming just 50 meters away and proclaimed cheerfully that he had no knowledge of events beyond it. "That is Congo!" cried Colonel Alex Isambashi.

Told of the scene, local aid workers wondered aloud where the colonel had been all day Wednesday, when no one could find him in Cyangugu.

The border remained closed Thursday, although only on the Congo side, where a soldier with a rifle turned back all who approached.

Foreign aid workers have asked to leave Bukavu and Belgian Embassy officials were waiting at the border checkpoint to spirit away Belgian nationals. But not until late Thursday were the first foreigners permitted to depart.

ATTACKS: Bombs Smash U.S. Embassies in Kenya and Tanzania

Continued from Page 1

Egypt's largest militant organization, the Islamic Group, joined with Osama bin Laden, the exiled Saudi billionaire who is regarded as one of the world's leading financiers of terrorism, in announcing this year that they had formed a coalition prepared to carry out attacks against American targets.

The warnings were not followed by any attacks, but they were taken seriously enough to cause most U.S. embassies in the region to take additional precautions against such an attack.

In February and again in June, the diplomats said, several of those embassies also issued public warnings advising American citizens to be alert.

The warnings were delivered by Mr. bin Laden, who was sent into exile by Saudi Arabia in 1994 and is believed to live in Afghanistan.

The explosion in Nairobi at 10:35 A.M. (3:35 A.M. EDT) toppled the four-story Ufundi Cooperative House toward the embassy, which was badly damaged.

The U.S. Air Force has ordered that a transport plane carrying medical aid and a small security detail leave Ramstein Air Base in Germany for Nairobi.

In Dar es Salaam, the car bomb went off in the U.S. Embassy parking lot. The State Department said the blasts occurred within five minutes of each other in the capitals, 725 kilometers (450 miles) apart. It said no Americans ap-

peared to be among the dead in Dar es Salaam.

Secretary of State Madeleine Albright interrupted a private visit to Italy to fly back to Washington.

President Daniel arap Moi of Kenya issued a statement condemning the attack and said the authorities would do anything possible "to bring the perpetrators of the heinous crime to book."

The UN secretary-general, Kofi Annan, on a visit to Portugal, said he had been shocked by the incidents "because it is the kind of terrorist attack that we do not normally see in that part of the world."

Mr. Annan, from Ghana, added that it represented "really very worrying situation." (AP, NYT, Reuters, AFP)

Deadliest Blast Directed at U.S. Since Beirut '83

Agence France-Presse

WASHINGTON — The explosions on Friday adjacent to the United States embassies in Kenya and Tanzania were the deadliest anti-U.S. attacks abroad since October 1983, when a suicide driver in a truck bomb crashed into a U.S. Marine barracks in Beirut, killing a total of 241.

On June 16, 1996, in Saudi Arabia, a truck filled with explosives that was parked alongside a Saudi military base at Al Khorab exploded near a housing complex.

The blast killed 19 Americans and wounded a total of 386.

On April 18, 1983, a bombing by Islamic Jihad destroyed part of the U.S. Embassy in Beirut, killing 63 people, 17 of them Americans, and wounding an additional 100.

On Sept. 20, 1984, in Awkar, north of Beirut, a car bomb tore open an annex to the U.S. Embassy, killing 24 and injuring 96 people, including the American and British ambassadors.

On Nov. 13, 1995, in Saudi Arabia, a car bomb went off in Riyadh in front of the Saudi National Guard, where U.S. advisers worked.

Five Americans and two Indians were killed and more than 60 people were injured by the explosion.



A Marine holding onlookers at bay Friday at the Dar es Salaam embassy.

Gay Games Give Sports New Meaning

Amsterdam Event Downplays Competition in Favor of Good Vibes

By Charles Trueheart
Washington Post Service

AMSTERDAM — It may not matter who won or lost the women's softball competition between the Elbe Room Tomboys and the Hackney Handbags; what counts is how they played the game, and simply that they played at all. The same would be true of the big German guys in iridescent tutus hammering at each other on the badminton court.

Here at the fifth quadrennial Gay Games, competition is a vexing topic, in bad taste to bring up.

Anyone, straight or gay, may enter and play. Among the 15,000 competitors this year are superb athletes just under the horizon of world competition, dancing or swimming or pumping iron or running right alongside spited duffers and other ordinary mortals. What counts are personal bests, friendship and a good time.

More than 230 teams are competing in, or just playing, volleyball, the Gay Games' most popular sport by far. Soccer, track and field, figure skating and bodybuilding are also big. There are 29 events in all, including billiards, sport climbing, table tennis, karate and bridge, plus demonstration sports such as aerobics and fencing.

But the Gay Games — they would be called the Gay Olympics if the International Olympic Committee had not deployed lawyers — have always been more than just a gay athletic competition.

It is an occasion — a gathering of the like-minded, name-tagged like conventioneers and traveling in a nurturing

bubble. And this year the games are in a city with a reputation for being one of the most open-minded in the world, one with at least the gloss of hedonism.

"Tis very heaven," exclaimed Tom DeVries, here from Tucson, Arizona, and quoting a fragment of poetic sentiment. "All these beautiful ladies and gentlemen in their different bodies doing their things. We haven't talked about anyone dying for what — 48 hours?"

Miles, his friend, said, "We've been doing some living, all right."

The weeklong 1998 Gay Games, which close Saturday, were kicked off with parades and "drag races" in which the tough and the fit were also the tacky and the outrageous.

"No, I'm not competing," said a burly New Yorker, groaning at the aches and pains he suffered from strutting in the opening parade. "Five hours in high heels is enough participation for me."

The subculture favorite Diva International appeared, and the Weather Girls belted out "It's Raining Men" before crowds that were, in fact, significantly more male than female.

Amsterdam is as free and easy as cities come, but a Gay Games visitor's advisory warned that everything had its limits: "There are places where you can be nude, but the city center isn't one of them." The Dutch daily De Volkskrant marveled that "men and men, women and women have been spotted kissing before, but never on such a large scale."

While the dedicated sweated it out in gyms and racetracks and hip-

podromes and bowling lanes — to paltry audiences beyond those waiting to play — tens of thousands of others drawn to Amsterdam by the festivities sampled Gay Games-oriented art exhibits, poetry readings, musical performances and panel discussions.

The venerable Rijksmuseum was holding an exhibition on "Olympian Gods" while European photographers displayed their work in a gallery show called "Lesbian Connexions." Harvey Fierstein and the Rocky Horror Show performed, as did Mina Hartong, a young Dutch-American comedian, who riffed on sports not yet on the official Gay Games program — "lesbian sports like rebounding, breaking up and group dancing, and gay sports like traveelling and eating out."

Every night gays and lesbians from different parts of the world flocked to storytelling hours to relate their coming-out experiences. Peggy Shaw was here to perform "You're Just Like My Father," advertised as "a solo auto-biographical piece about growing up butch and working class in '50s North America."

Open-air concerts drew crowds, including young families, and night parties (men-only, women-only, mixed and otherwise) spilled into streets, reportedly raging into the night in central Amsterdam's gay neighborhoods.

Ian, searching for sports, said, "I can't even find the events, they're so far away." He didn't seem to mind. "We're just hanging and doing the tourist thing," he said. "Some parties; my boyfriend's into the leather scene. We're from Calgary. It's not like this."

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Associated Press

After Blast, Glass Rains From Sky

By Matthew Bigg
Reuters

NAIROBI — First a loud explosion and then a thick plume of smoke rose hundreds of feet into the air. After a moment of silence, glass and masonry rained down from the sky.

This was the scene in Nairobi on Friday as a huge car bomb aimed at the United States Embassy ripped through the morning rush hour.

Two buildings caught the full force of the blast: the U.S. Embassy and, behind it, the Ufundi House, which contained a secretarial college and offices.

Ufundi House collapsed, floor by floor, crushing its occupants. The embassy's reinforced, five-story structure survived but its rear rooms were reduced to a series of blackened shells.

Minutes later, office workers, cut by glass, were streaming away from the center of the blast and a trail of blood led back to the U.S. Embassy in central Nairobi.

Kenyans are people who have become accustomed to street riots and violent crime.

Politics and civil disturbance go hand in hand, but the shock on the faces of office workers staggering away from the blast indicated violence of a different order.

Six buses, gutted by the blast, had ground to a halt on Haile Selassie Avenue. The driver of one had been thrown, half-way through his shattered windshield.

At the rear of the U.S. Embassy, rescue workers started to stack the re-

mains of about 15 people who had caught the full force of the explosion.

One charred and blackened body looked more like bits of logs removed from a fire than a middle-aged woman.

Some lacked faces, or limbs, or clothes. Others seemed to have swollen around their usual proportion.

The bodies were laid on scrapes of sheeting and then stacked haphazardly onto the backs of pickup trucks and taken away.

"I have seen eight dead white people being pulled out of the U.S. Embassy," said Amir Hassam, a rescue worker with the Aga Khan Social

Welfare Board, who said he arrived on the scene almost immediately. He said he saw 25 bodies removed from Ufundi House.

Eda Rubia, a management consultant, was walking near the embassy when the blast occurred.

"I heard a loud bang, then the whole place was shaking, and within a split second glass was falling on my head," Mr. Rubia said.

Simon Tafei, a messenger, said: "It was strange. A big bang and then I was lying on the floor. All around me were people, bleeding."

The rescue effort began within minutes. As U.S. Embassy personnel

pulled out casualties and tried to compile a list of their missing, hundreds of volunteers swarmed over Ufundi House.

Mounted police, riot police, firemen in heat-protective silver suits, helicopters, ambulances, the Red Cross, Kenya Wildlife Service, aid agencies and private businessmen — and above all passersby — threw themselves into the effort.

And, at least in the early hours, there was a survivor for every corpse pulled from the rubble.

A U.S. Marine carried the body of an African employee, blood pouring from her, out of the embassy basement.

Minutes later a cheer went up as an African man was pulled from a hole in the fourth floor of Ufundi House.

He was strapped to a stretcher and maneuvered down two long ladders to a waiting ambulance and still had the strength to raise his head and shout.

"God is great! God is great!" he yelled, his arms held out in a gesture of victory after having been trapped for more than three hours.

But the early successes of the rescue effort could not dispel the grim fact that no survivors were being pulled from the lower floors of Ufundi House.

Blood, glass, masonry and clothes were scattered over a wide area by the blast.

And amid the rubble outside the embassy were distinctly American symbols of the disaster — the corner of a five-dollar bill and a page from a magazine.

It was an article in Time magazine about how to save lives.

TERROR: Bombing of Embassies an Act of War, Experts Judge

Continued from Page 1

said, the operations would have had to have been extremely well planned and coordinated, with a network of safe houses and rear bases.

The scale and sophistication of the attacks, experts said, indicated that they were carried out by an extremist organization with an international reach and access to substantial logistics support and resources.

In Los Angeles, the Muslim Public Affairs Council warned against any speculation that Arabs were responsible for the explosions.

After the bombing of a federal building in Oklahoma City in 1995, news reports speculated that the attack was carried out by Middle Eastern terrorists until two Americans were arrested.

There is a strong Islamic influence along the East African coasts as a result of trade ties that go back more than 1,000 years.

Arabs settled on the coast by the eighth century and established several autonomous city states, including Mombasa. They were heavily involved in the slave trade.

Only this week, Egypt's banned Jihad group said it would retaliate against what it said was U.S. involvement in the re-

taliation of Muslims from Albania to Egypt. A few weeks ago a Saudi dissident living in Afghanistan, Osama bin Laden, told ABC News that Americans would be the target of guerrilla attacks.

Following the bombing in 1986 of a night club in Germany frequented by

Arabs, the United States sent a security team to the region, including FBI explosives experts, who will be seeking incriminating evidence. President Bill Clinton said that Washington would use every means at its disposal to bring the terrorists to justice.

Unless the experts find clues that irrefutably point to a particular group or state sponsor, the process could be long.

More than two years after a bomb ripped through a barracks in Saudi Arabia, killing 19 U.S. soldiers, the United States has not been able to charge anyone.

These are very pro-American countries, so it seems that they were used as convenient sites.'

oy Commission said it had launched an investigation.

Lax government oversight, government corruption, and a weak legal system that let company managers avoid their fiduciary responsibilities have made it dangerous to invest in China's markets.

EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Saddam Miscalculates

Saddam Hussein has consistently misjudged America's willingness to defend its interests in the Gulf region, beginning with his 1990 invasion of Kuwait. He now does so again in breaking off Iraqi cooperation with UN weapons inspections, perhaps believing mistakenly that Washington is too distracted by the Monica Lewinsky case to answer his challenge.

The inspection system, imposed on Iraq after its defeat in the Gulf War, is the world's first line of defense against Baghdad's efforts to produce biological, chemical and nuclear weapons and the missiles to deliver them. Over the past seven years, investigators have uncovered evidence of these prohibited weapons despite Iraqi efforts to keep them secret. Prematurely ending the inspections would make it easier for Saddam to rebuild an arsenal of mass destruction weapons, a prospect too dangerous to his neighbors and U.S. interests to permit.

There is a tiresome familiarity to Iraq's periodic repudiation of its international obligations. But the timing of its latest challenge was unexpected. Richard Butler, the chief UN inspector, had just arrived in Baghdad to register some progress toward resolving missile and chemical weapons issues. By abruptly ending its cooperation, Iraq

undermines the case for an early easing of sanctions. Russia, a longtime friend of Iraq's, and France, eager to pursue commercial opportunities with Baghdad, have favored faster movement toward that end.

Though Bill Clinton is preparing for his grand jury testimony later this month, he remains fully able to deliver a forceful response to Saddam on a matter where there is already strong bipartisan agreement. Mr. Clinton would no doubt relish the chance to change the subject of national attention.

He has already declared that Iraq's actions are unacceptable. The Security Council did the same Thursday, despite differences among its members over Iraq. A special responsibility falls on the UN secretary-general, Kofi Annan, whose agreement with Saddam during the last inspection crisis in February averted U.S. military action.

Iraq's move this past week clearly violates that agreement. Mr. Annan must make clear that he will accept nothing less than full compliance.

If Iraq does not reverse course, Mr. Clinton will have to begin a new buildup of U.S. forces in the Gulf region. History has taught that Saddam responds only to the threat or use of force. He is once again inviting use of those options.

—THE NEW YORK TIMES.

Changing Azerbaijan

Much turns on coming elections in Azerbaijan, one of 15 nations to emerge from the collapse of the Soviet Union and one still struggling to find its way. Small but rich in oil, Azerbaijan matters to the United States for more than its energy resources. Fought over by Persia and Russia and more distant empires, it remains the object of competition among surrounding powers. More important, it occupies the middle ground of ideological battles of the day: Muslim but not fundamentalist, autocratic but more open than the Central Asian dictatorships taking shape across the Caspian Sea.

In the first part of this decade, Azerbaijan knew coups and war with neighboring Armenia. It is now ruled by its ex-KGB boss, Heydar Aliyev. Mr. Aliyev, 75, has kept a tight rein on politics and media, tolerating only limited dissent, and he is running for re-election in October. When he visited Washington last summer, he committed himself to "political pluralism" and "free and fair elections."

His government has gone far to meet that pledge. An imperfect election law

has been improved, after he welcomed advice and cooperation from the U.S. National Democratic Institute and similar democracy-building organizations based in Europe.

But serious concerns remain about the fair implementation of the law. The central election commission and its local offshoots are too firmly in the grasp of Mr. Aliyev's machine. Two leading would-be opposition candidates remain under criminal indictment. Government censors still meddle in newspapers' coverage of politics. As a result, the five leading opposition parties so far insist they will boycott the election.

Having come this far, it would be a shame for Azerbaijan's reputation and for its long-term prospects for stability, if Mr. Aliyev balked at the last few steps needed to ensure a fair election. His emissaries say he is prepared to end all censorship; that would be welcome. He also should find a formula to make all sides feel confident in the commissions that will oversee the election. Then the burden would fall on the opposition to insist its chances with the voters.

—THE WASHINGTON POST.

Dangerous Interference

The House Government Reform and Oversight Committee's vote Thursday to cite the attorney general for contempt of Congress is a dangerous political interference in a law enforcement decision that threatens to undermine the Justice Department's campaign finance investigation — an interference, ironically, by the same people who purport to want a vigorous investigation.

The citation resulted from the starring contest between the committee chairman, Dan Burton, and Janet Reno over a subpoena he issued to her for confidential memoranda written by FBI Director Louis Freeh and the former chief of the department's task force, Charles LaBella. Both had advised Ms. Reno to appoint an independent counsel — advice she has so far rejected. Ms. Reno has, furthermore, not said enough in explanation of her position on the independent counsel question, so a certain frustration with her reticence is appropriate.

But her refusal to turn over the memoranda is nonetheless correct, and Mr. Burton's approach to the matter has been nothing less than sluggish. The memos are quite detailed and would offer possible targets of the department's probe: an in-depth look at the Justice Department's prosecutorial strategy and theories. The LaBella memorandum is also the subject of Ms. Reno's current review. She has offered to brief Mr. Burton on its contents but has asked for three weeks to finish considering its recommendations.

This reasonable accommodation was not good enough for Mr. Burton when Ms. Reno explained her position to him at a meeting last week. According to a letter by Representative Henry Waxman, Democrat of California, who was present along with Mr. Freeh, Mr. Burton told her he would

begin the process of seeking a contempt citation for her failure to produce the memoranda. But, he added, the matter would not come up on the House floor until Congress reconvenes in September, and he would drop the matter if she sought an independent counsel before then. Mr. Waxman's letter accused Mr. Burton of "intimidation" and of seeking "to coerce an executive branch official to reach a predetermined conclusion on a discretionary matter."

Mr. Burton has denied this, but his own statement of his position is hardly reassuring. "I would certainly prefer to have the documents to review, rather than hold the attorney general in contempt for refusing Congress's legitimate oversight in these matters," he wrote Mr. Waxman. "Obviously, a decision to appoint an independent counsel might make the oversight of the Justice Department's investigation moot."

The line separating a simple statement of fact from a threat can be a thin one. Mr. Burton should not be flirting with it, and Ms. Reno — right or wrong on the independent counsel question — is right in her refusal to be bullied.

—THE WASHINGTON POST.

Other Comment**Good News in Mexico**

The results of Sunday's elections in three states of Mexico were uncertain before the actual voting, and that's good news for the growth of Mexican democracy. The winners in Veracruz, Oaxaca and Aguascalientes were not proclaimed until all ballots were counted. Certainly that is not the way the system worked in earlier years.

—Los Angeles Times.

Herald Tribune

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The 'Burma Problem': Too Dangerous to Ignore

By Shridath Ramphal

LONDON — George Orwell predicted that of all the countries of the British Empire, none was more likely to prosper on achieving independence than Burma. Here was a country rich in human and natural resources whose future seemed assured.

Five years later, the reality is the opposite. Burma is near the bottom of the international league by most measures. Only in one, human rights abuses, is it near the top. It is ruled by a military dictatorship that has been in power in various guises since 1962.

It is the source of interethnic conflict, refugees and internal displacements, severe human rights abuses, narcotics production and trafficking and extensive environmental degradation.

Universities and colleges are repeatedly closed for prolonged periods for fear of political unrest, blighting a whole generation of students. Decades of self-imposed isolation and declining income levels have taken a heavy toll. The harshness of the regime contrasts unhappily with the goodness of the people and their Buddhist ethic of nonviolence.

George Orwell, who served in Burma as a policeman before he became a famous writer, would be horrified.

Ten years ago, long-suffering patience gave way to open protest.

Tens of thousands of ordinary people took to the streets of Rangoon and other towns to demand the restoration of democratic government. On Aug. 8, 1988, the Burmese Army brutally crushed the protests. The scale of the killings — more than 1,000, were slain in the following weeks — shocked the world.

Opium is the only crop the displaced

nored the result, embarking instead on a policy of sustained repression and continued constitution-making that continues to this day.

Daw Aung San Suu Kyi, who was awarded the Nobel Peace Prize in 1991, had been placed under house arrest nine months before the elections.

Formerly released in July 1995, her activities and movements remain severely restricted. Her attempts to defy these restrictions have led to constant problems with the junta.

The most recent was her attempt to travel outside Rangoon to meet supporters, who, together with other democracy activists, are unable to engage in normal political activity. Blocked by soldiers, she spent six days, trapped but defiant, in her car on a bridge, providing the world with an Orwellian spectacle. Her subsequent forcible return home gave an insight into the ways of a military junta bent on perpetuating its own power.

Burma is the only country in the world where armed fighting has continued without pause since World War II. In the hills of the north and east, various ethnic groups have fought the Burmese Army and each other for more than 50 years. Thousands of villages and millions of people have known little other than armed conflict and its consequences. The army's policy of forcible clearance, migration and resettlement has displaced more than a million people, creating at least 400,000 refugees in Thailand and Bangladesh alone.

Opium is the only crop the displaced

can grow and reasonably expect to sell.

It is a measure of their plight that Burma today supplies nearly half the world's heroin. The militia of the former Burma Communist Party, now in tacit alliance with the regime in return for local autonomy, is reported to be heavily involved in drug trafficking, which may have become

the country's chief revenue earner.

The army boasts that it has pacified the country and that most of Burma's insurrections have given way to ceasefires. Welcome though they are, they hardly afford a lasting basis for peace, let alone a sense of security to Burma's many minority peoples.

This is not an ideological imperative but a practical necessity.

The world will be a better and safer place when it is a world of functioning democracies. Democracies do not have famines; they tend not to fight each other; the people of democracies are not among the world's refugees. While democracy is not a panacea for all Burma's problems, it alone offers hope for pulling the country back from the abyss and enabling its peoples to live in harmony.

What Burma needs is a more creative and concerted diplomatic strategy that targets the root causes of its problems: war, poverty, ethnic discord and the absence of political freedom. The international community must use aid to foster a process of reform and national reconciliation to end five decades of conflict.

Daw Aung San Suu Kyi has called repeatedly for political dialogue with the army, so far without response. She has now named Aug. 21 as a deadline for reconvening the Parliament elected in 1990. Southeast Asian governments, having admitted Burma as a member of ASEAN in July 1997, have a special responsibility to nudge the regime to face reality and change course. A region in financial and economic turmoil can hardly afford another major flash point.

Thousands are still dying needlessly in Burma. Ten years on, the world needs to rethink its response to the Burma problem and stop relegating it to the sidelines.

The writer, formerly secretary-general of the Commonwealth, is now chairman of the board of the International Institute for Democracy and Electoral Assistance, of which Daw Aung San Suu Kyi is a member. He contributed this comment to the Herald Tribune.

In U.S., Schroeder Shows He's Ready for the Big Leagues

By Jim Hoagland

WASHINGTON — Seven weeks before an election that could bring his Social Democrats to power in Germany, Gerhard Schroeder was busy charming his way across Washington the other day in the classic carom shot of international politics.

The man opinion polls paint as the chancellor-in-waiting was in Washington to be seen by voters in every village and metropolis of Germany. The American capital was backdrop, chosen to ally Germany fears about Mr. Schroeder's inexperience in foreign affairs. The setting was also intended to combat doubts about the acceptability of the Social Democrats, a party frequently and at times poisonously critical of U.S. policy during the Cold War.

Mr. Schroeder's visit was shrewder, more centered and more important than the average media outing here by a foreign opposition leader.

He was specifically visiting Bill Clinton's Washington as well as the American capital. He was looking for a hand up from the founding member of

ers of opposition parties abroad.

His meetings on Wednesday with Mr. Clinton, Al Gore, Madeleine Albright, Alan Greenspan and others provided the German press with image-burnishing items to beam back home.

His meeting with Mr. Clinton stretched a few minutes beyond the half-hour considered very generous for a visiting candidate by White House standards.

It went swimmingly. Mr. Schroeder told me afterward at a reception at Georgetown University, one of Mr. Clinton's alma mater.

The president of course said he would be neutral. Mr. Schroeder announced with a smile that suggested he hoped otherwise. That was a dart for Mr. Kohl, who two years ago visited America and openly endorsed Mr. Clinton for re-election. Mr. Clinton was eternally grateful.

Mr. Schroeder, the elected chief executive of the state of Lower Saxony, had just captivated his university audience

with a lucid speech predictably promising continued cooperation between Germany and the United States, and a congenial give-and-take question session.

He disarmed one critic who sought to interrupt his speech with a recitation of his views on free trade and oppression by promising he was at the end anyway. "Only three more pages," he said in English, holding them up. "It is so painful that you can't wait."

A questioner alertly nailed Mr. Schroeder for ignoring France and having nothing to say about working with the Socialist prime minister, Lionel Jospin, who does not overlay his pragmatic moves away from leftist orthodoxy with a third-way label.

Mr. Schroeder disputed the questioner's premise, stressing his commitment to the French-German relationship. But his answer did little to dispel her suggestion that France, and Europe, do not look large in his political vision.

Another critic echoed Mr. Kohl's charge that Mr. Schroeder is merely a crowd-pleasing front put forward by

the German left's old guard.

Since he opposed deployment of NATO missiles in the Cold War and the euro single currency, why should voters trust his judgment, turn over to him management of policies he once opposed and now accepts without great enthusiasm?

"You could have reproached me for things I did in college or the playground as a kid, too," Mr. Schroeder shot back.

"Learning is part of political development. When reality collides with your political program, you have to consider that your political program could be wrong." And then, seeming to draw a bead on Mr. Kohl, Mr. Schroeder effortlessly tossed this zinger:

"You should distrust politicians who think they have nothing left to learn."

It was a moment the Comeback Kid would have savored. If Gerhard Schroeder is an opportunist, as opponents on the German left and right charge, his Washington visit proved that he is a skilled one, ready to play in the big leagues of international politics.

The Washington Post.

Poland Still Has a Way to Go in Ending Anti-Semitism

By Abraham Brumberg

WARSAW — Poland, once called an anti-Semitic country without Jews, no longer deserves that epithet.

For one thing, as is becoming increasingly evident, Jews still live in Poland. Not many, of course. The prewar community of three and a half million Jews, with its rich and variegated culture, is gone forever. Still, estimates of Poland's Jewish population range from 15,000 to 20,000 — and even some optimists will tell you, as high as 30,000.

The last is a suspect figure, as it includes those who have recently discovered that their parents or grandparents were Jewish and who are still trying to sort out their identities.

Jonah Bookstein, the director of the Lander Foundation, which underwrites nearly all new Jewish activities in Poland, told me of a young man who had recently discovered that he was Jewish.

He learned Hebrew, became a practicing Jew and is now marrying a Jewish girl.

"And as you know," said Mr. Bookstein excitedly, "this is really the acid test!"

ART

Broken Mirror of a Major Arab Culture

By Souren Melikian
International Herald Tribune

PARIS — There is a moving attraction to great art that survives in bits and pieces. "Les Trésors fatimides du Caire" show at the Institut du Monde Arabe here until Aug. 30 is more like the broken mirror of a major culture than a "treasure" — none remains from the golden age of Islamic Egypt, which started in 973 when the Fatimid ruler of North Africa, al-Mu'izz, entered Cairo and named the newly built city al-Qahira ("Cairo" to the Venetians) al-Mu'izzia.

Even history is fragmentary. The chronicles of 11th- and 12th-century Egypt have vanished. Considerable uncertainty surrounds the emergence of the first leader of the Ismaili Shi'ite branch of Islam, Ubaydullah, some time in the 9th century, in the southwestern Iranian province of Khuzistan. How Ismaili propaganda spread to Eastern Iran and from there to India eludes us. So does the growth of Ismaili communities and the diffusion of their esoteric message in Syria where Ubaydullah sought refuge.

It reached North Africa. The Berbers of present-day Algeria responded enthusiastically, conquered the neighboring emirate of Qayrawan (or Kairouan), and in 910, Ubaydullah, again forced to move, arrived to be proclaimed Mahdi (Guided by God) and Caliph, in defiance of the Baghdad Caliphate.

What followed was even more astonishing. Eager to wrest wealthy Egypt from the nominal control of Baghdad, the Ismailis were favorably looked upon by the Egyptian establishment, which secretly negotiated with them. They marched eastward and their takeover of Cairo sent tremors rippling through the Middle East.

Fatimid rule, which ended in 1179, laid the foundations of Islamic art and

culture in the Egypt we know. Of their monuments, the mosque of the Caliph al-Hakim alone stands more or less in its entirety. Remains of the others, wood revetments particularly, allow glimpses into a moment of classical perfection.

Panels, saved as construction material when Sultan Qal'a built in 1284-1285 an architectural complex where the Fatimid palace once stood, reveal stunning figural carvings in low relief. The spring in the movement of two gazelles on either side of a stylized motif and the calligraphic flow of the ordine matching that of the abstract pattern are unsurpassed. They betray contacts with the Eastern Iranian world, home to Nasir-e Khosrow, the Ismaili metaphysician and poet who went to Cairo and described the Fatimid palace.

Court scenes represent the Iranian type of wine banquet. In one, a princely character raises a beaker and clutches a bronze decanter while facing a female companion who raps a tambourine. In another panel, musicians play the other two traditional instruments of the wine banquet, the flute and the guitar.

HUNTING and travel scenes — a camel carrying the tent-like structure in which ladies of the court moved around — are like stills from a film on the Eastern courts 1,000 years ago. The age-old symbol of the hawk pouncing on a bird discreetly points to the royal association of the panel. The surface toning is lost but, failing that, an ivory-inlaid panel from Edessa with a large hawk clutching a hare gives some idea of lost splendor.

One would like to understand the transition that led to the stage represented by a famous wooden mihrab of the mid-12th century from the mosque of Sayyida Nafisa. A complex geometric pattern zigzags around the shallow niche with an explosive vigor that con-



trasts with the narrow compact bands of square Kufic calligraphy framing it. The sophistication of this extraordinary school of architectural design implies a long evolutionary process of which nothing more is known.

The art of the object is equally intriguing. The development of a marvelous school of lustre pottery has yet to be staked out. The diversity in design, quality, color (from pale gold to brown) is tremendous. There must have been several workshops, some with close ties to a court atelier of book painting.

The scene of a trainer with his cheetah, or the griffin striding across the surface of another bowl bear witness to its impact. The painter of the griffin must have been a skilled artist — the fine hatching on the chest in short

strokes done with a reed pen are typical of the craftsman's craft. Powerful personalities can be sensed behind the anonymity of many pieces. The artist who painted a musician playing the two-stringed guitar chose to crush the tip of his brush laden with golden color to give him a truculent expression.

Signatures can raise rather than answer questions. One "Muslim," presumed to be the same man as "Muslim al Dahhan," is so versatile that one wonders whether he did not, in the kind of his heart, append his name to the work of esteemed disciples.

The same artists probably worked in various media. A glass fragment is painted on the underside with a leaping gazelle strikingly reminiscent of a gazelle on one of the bowls signed



A glass fragment decorated with a leaping gazelle painted on the underside, and a bronze statuette of a lion.

Muslim. The tray and the bowl may not have been decorated by the same hand, but they surely came out of the same workshop. The catalogue ignores that point.

Metalwork does not come out very well, in part perhaps because it is not well known. Not as rare as the catalogue suggests, it is widely scattered, often inaccessible and, like pottery or glass, plagued by commercial looting — few pieces ever seem to come out of archaeological excavations. One sensational discovery is the silver casket to the name of the vizier Sadaga ibn Yusuf, in office between 1044 and 1047, which belongs to the San Isidoro Museum in Leon, Spain. That alone would justify seeing the show. Regrettably the highly important silver mirror in the Benaki Museum in Athens is missing. Could this be because the exhibition budget was drastically cut at the 11th hour?

Rock crystal adds some glittering uncertainties to the show. A 10th century ewer in the Victoria & Albert Museum to the name of "Imam al-Aziz bi'l-lab" represents the art in its grandest form but a shallow tray from Venice with a shape and pattern found in Iranian art is not particularly likely to be Egyptian. Nor is a small cylindrical "flask" from the Victoria & Albert, the function of which was not recognized. This is a kohl container

Grand Central Reborn as a Beaux-Arts Mall

By David W. Dunlap
New York Times Service

NEW YORK — With each passing day, Grand Central Terminal is looking better than it ever has. Meanwhile, it is becoming something it never was.

In the future, New Yorkers may look back at the summer of 1998 as the architectural apogee for the once decrepit landmark.

This pristine moment will not last long, however. GCT Venture, the development team working for the Metropolitan Transportation Authority, is doing more than rehabilitating a great railway station, built in 1913. It is creating a Beaux-Arts vessel for an enormous new commercial enterprise.

Competing for public attention with the bejeweled Sky Ceiling and monumental new east staircase, restaurants will line the balconies of the Main Concourse. Peter Glazier has already opened Michael Jordan's-The Steakhouse NYC, run by the Cipriani family, and Metrazur, run by Matthew Kenney, will follow later this year.

Restaurants and food stands will take over what used to be the Suburban Concourse on the lower level. (It is now called the Dining Concourse.) Stores will form an octagonal ring around the old incoming train room, now Biltmore Hall. Food stalls will line a new passageway to Lexington Avenue called Grand Central Market. And seasonal markets will fill Vanderbilt Hall, where travelers once waited to board the 20th Century Limited.

No longer the "Gateway to a Continent," Grand Central will be more like the Gateway to a Caviareria — or a hundred other establishments, among them Banana Republic, Citarella, City



Michael Jordan's-The Steakhouse NYC restaurant.

Bakery, Kenneth Cole, the Discovery Channel Store, Junior's, Mike's Takeaway, J. Peterman, Poeman Books, Republic, Rite Aid, Starbucks, Two Boots Pizza and Zocalo.

While stores and restaurants have always been part of the terminal, there have never been as many as are being constructed and planned today. Retail space in the terminal is nearly doubling, to 170,000 square feet (almost four acres) from 105,000 square feet, only 75,000 square feet of which was occupied in recent years. Given tenant demand, the developers believe they could have leased 100,000 square feet more.

BOOKS

A CORNER IN THE MARAIS:
Memoir of a Paris Neighborhood
By Alex Karmel. 160 pages. \$24.95.

Reviewed by Katherine Knorr

THESE are so many books written by Americans who love Paris (and those who hate it as well) that it's difficult for many of them to stand out. But here is a lovely little book, very personal, written with affection and intelligence by an American novelist who, with his French wife, bought a *patisserie* flat in the Marais quarter and set out to find out who had been there before.

The result is part memoir, part historical essay, starting with the purchase of a fifth-and-sixth-floor-walkup pied-à-terre on the corner of Rue des Rosiers and Rue Vieille-du-Temple, and ending with an except from the French poet Leon-Paul Fargue's marvelous essay about the Marais.

Alex Karmel first came to Paris after his freshman year at Columbia, in June 1949. After spending part of the summer traveling in Switzerland and Italy and on the French Riviera, he came back through Paris on his way home.

"It was then that I discovered for the first time the pleasure of coming back to Paris; back to what had become the place in which I was most happy, despite

all the fascination of Rome and Florence," he writes. "It was then also that I first had the feeling that coming back to Paris was coming home, and that leaving it for what was, after all, my real home, was leaving something of myself as well."

He would come back again, eventually for good. In "A Corner in the Marais," Karmel writes history of Paris through a narrow lens, and specifically of the Marais in its many permutations, from a fashionable neighborhood of *hotels particuliers* to a poor immigrant Jewish neighborhood, and again into a fashionable shopping area where clothes shops are replacing private property.

He takes us from the earliest times to the first reference he can find at the address that corresponds to his building — in 1393 — to the present day, when he owns his very own piece of Paris.

Karmel's history of Paris is always well-told, but this isn't of course a new story. When he becomes truly interesting is in documenting his admirable research into the history of his building. Here we enter into the realm of what the French call *la petite histoire*, which gives as a sense of all the ghosts that people Paris, and how difficult it is to name them. Along the way Karmel also offers some insight into the destruction and kitsch rebuilding that constantly threatens Paris.

The center of Karmel's tale is the auction of his building and its two neighbors in 1647. He tracks down the relevant documents, gets what is illegible to him translated by an expert and traces as far as he can the names of owners and occupants.

There is Claude Bourgeois the *patisquier*, and the grocer Henri Brusle, who bought two of the buildings at the auction, including the one in which he had his shop, "at the Sign of the Cauldron."

The *aquarelle* is immensely complicated and draws us into the changes from feudal rent laws to more widespread private property.

There are many pieces missing in the story, of course, and the names so prominent in the complicated auction disappear into Time. Karmel has to make a lot of fairly educated guesses about what was where when, but that's part of the game too.

He finds only a few references to the building in the 18th century, and then the names have changed. In 1787, he quotes from documents: "First house at the corner of Vieille rue du Temple, occupied by an official of the Lottery. Proprietors: Miles, Debray, rue de la Roquette, Faubourg St. Antoine, near the sign of the long bow." Onto all these forgotten lives, Karmel delightfully shuns the pretty and tenuous light of an old lantern.

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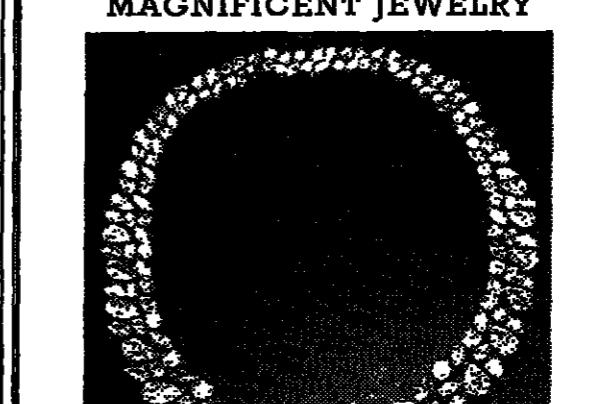
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Continued on Page 12

BUSINESS/FINANCE

SATURDAY-SUNDAY, AUGUST 8-9, 1998

PAGE 9

Obuchi Says Japan Must Fix Things**He Offers No New Ideas For Achieving That Goal**By Kevin Sullivan
Washington Post Service

TOKYO — Prime Minister Keizo Obuchi, in his first major speech since taking office last week, said Friday that the greatest contribution Tokyo can make to the world is "the revitalization of the Japanese economy," but he offered no new proposals for achieving that goal.

Outlining the policies of his new administration in an address to Parliament, Mr. Obuchi called for tax cuts that "substantially exceed" \$4.1 billion and \$6.9 billion in public spending to jump-start the world's second-largest economy. He promised corporate tax cuts and a 23 percent tax cut for high-income individuals.

But he steered clear of the politically sensitive question of whether to impose an income tax on those who now fall below Japan's relatively generous minimum taxable income level.

Those measures are largely in line with those he promised during his recent election campaign, despite speculation this week that Mr. Obuchi might attempt to satisfy U.S. officials and others by announcing a more far-reaching economic reform program.

On Thursday, Mr. Obuchi and other officials of his government hinted that the tax cuts might be as high as \$4.8 billion, a relatively large increase over his earlier pledges. But Friday's speech was vague about the exact amount of cuts.

International financial markets reacted with barely a ripple to Mr. Obuchi's speech, as most investors and analysts anticipated he would either stick to his previously announced plans or add to them only slightly. The Tokyo stock exchange closed down slightly Friday, and the dollar rose to 145.23 yen in afternoon trading in Tokyo, up about a half-yen from Thursday.

"There are a lot of questions still to be answered," said Russell Jones, chief economist at Lehman Brothers in Tokyo.

Mr. Jones said Mr. Obuchi has not yet explained how "credible and permanent" the tax cuts will be, how aggressively he will pursue financial sector reforms and whether the public works projects that dominate his spending plans will "really do any more than buy them a little time."

"Will this deliver a sustained, private-sector-driven upswing in the economy?" Mr. Jones asked. "The answer to that is no" without more concrete reform plans. Mr. Jones said he, and most market analysts remain skeptical of Mr. Obuchi's commitment to economic reforms.

U.S. officials in Tokyo said that while they still worried that Japan may not move fast enough to fix its problems, they were somewhat encouraged by Mr. Obuchi's speech. "I'm inclined to think that Mr. Obuchi is going to be surprisingly creative and more innovative because of the political pressures on him," one official said.

Mr. Obuchi is starting his term with the lowest public popularity rating of any new prime minister in at least 40 years. A survey by the newspaper Asahi Shimbun this week found that less than a third of the Japanese public supports the new government, the lowest since the paper began making such surveys in 1955.

Masayuki Fukukawa, a political science professor at Hakuhou University, said he gave Mr. Obuchi only passing marks for his speech, even though he did a good job of dispelling his reputation for not understanding the economy.

"Economic matters were clearly stated, and we got the impression that he understands what he is talking about, even though he had to read from a prepared text," Mr. Fukukawa said. "His true strength is to listen to others' ideas and advice, and that has helped his rapid growth in recent days."

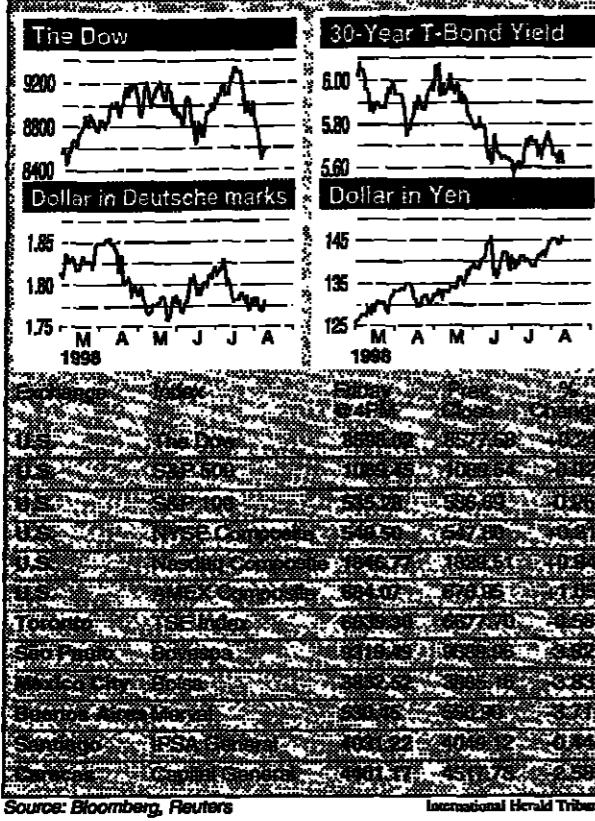
Mr. Obuchi peppered his speech with language suggesting that he intended to be a stronger leader and tougher on economic reforms than his critics believe.

CURRENCY & INTEREST RATES**Cross Rates**

Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Amsterdam	1.59	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Brisbane	1.592	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
London	1.572	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
London (0)	1.564	—	2.000	1.697	1.697	2.000	2.000	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Madrid	1.526	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Milan	1.480	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
New York (0)	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
New York (00)	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
New York (000)	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
New York (0000)	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Paris	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Tokyo	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Toronto	1.507	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Zurich	1.473	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
1 ECU	1.579	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
1 DMR	1.507	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Chelmsford, London, Milan, Paris and Zurich, <i>Ratings in parentheses</i> . London and Paris and Zurich, <i>Ratings in other currencies</i> . New York and London rates of 4 P.M.																			
London rates of 4 P.M.																			
To buy one pound: £ To buy one dollar: \$ Units of 100 ECU: not quoted. N/A: not available.																			
Other Dollar Values																			
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
American	1.59	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Canadian	1.592	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
French	1.476	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
German	1.592	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Italian	1.592	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Swiss	1.592	1.265	1.200	1.45	1.417	1.500	1.500	1.329	1.327	1.204	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200	1.200
Forward Rates																			
Currency	30-day	60-day	90-day	180-day	360-day	1-year	2-year	3-year	5-year	7-year	10-year	12-year	15-year	18-year	20-year	25-year	30-year	35-year	40-year
Per \$	1.5915	1.5907	1.5902	1.5893	1.5884	1.5871	1.5864	1.5856	1.5848	1.5840	1.5832	1.5824	1.5816	1.5808	1.5799	1.5791	1.5783	1.5775	1.5767
Canadian	1.5915	1.5907	1.5902	1.5893	1.5884	1.5871	1.5864	1.5856	1.5848	1.5840	1.5832	1.5824	1.5816	1.5808	1.5799	1.5791	1.5783	1.5775	1.5767
German	1.5915	1.5907	1.5902	1.5893	1.5884	1.5871	1.5864	1.5856	1.5848	1.5									

THE AMERICAS

Investor's America



Source: Bloomberg, Reuters

Court Rebuffs Microsoft on Source Code and Testimony

By Joel Brinkley
New York Times Service

WASHINGTON — Over strong objections from Microsoft Corp., a federal judge has ordered the company to turn over to the government the source code for its operating system and to make its chairman, Bill Gates, and 16 other executives available for pretrial depositions that will last as long as the Justice Department deems necessary.

Microsoft was ordered to give Justice Department lawyers preparing for a Sept. 8 trial in the government's antitrust suit a copy of the source code for the latest two versions of its operating system, Windows 95 and Windows 98.

Microsoft had asked that Mr. Gates's testimony be limited to eight hours and had wanted to provide only seven other executives for pretrial interviews. The company offered to turn over the source code, the dense technical blueprint,

of the operating system under conditions that would have made it difficult for the government to bring in outside experts to analyze it.

But in a hearing Thursday to settle these and other disputes, Judge Thomas Penfield Jackson of U.S. District Court ruled in favor of the government on every question.

"I do not intend to put a time restraint on the length of time Gates may be deposed," Judge Jackson said.

He ordered that the deposition be taken beginning Wednesday, four weeks before the scheduled opening of the trial.

Months ago, Microsoft gave the source code for Windows 95, the operating system version that was replaced this spring by Windows 98, to 20 state attorneys general. They have also filed an antitrust suit against the company. In that case, the attorneys general agreed to Microsoft's request that no one who looked at the code would be allowed

to work for most major software companies during the following 18 months.

When Justice Department lawyers entered their own request for the Windows 95 and Windows 98 code, they argued that the government "will be unable to utilize the services of their consultants or experts" under such a restriction "unless they are willing to give up their livelihood."

The judge agreed but told Microsoft that he would order severe penalties if any of the government's consultants misused the data.

The government wants the source code for Windows 95 and Windows 98 to help prove its assertion that Microsoft is improperly bundling its browser, the software used to navigate the World Wide Web, with its operating system. The Justice Department argues that bundling the browser was a tactic intended to harm Microsoft's primary competitor in that business, Netscape Com-

munications Corp.

Microsoft says that the company's leaders were planning to include browser capabilities in Windows as early as April 1994, long before Netscape had grown to be an important player in the industry.

In court filings, the Justice Department vigorously disputes that notion. One brief, filed last November, quoted from numerous internal Microsoft documents indicating that as late as 1996, the company had made no decision to bundle the browser with Windows. This was well after Netscape had grown to dominate the browser market.

The government quoted from

1994 e-mail messages to and from Steven Sinofsky, who was technical assistant to Mr. Gates, in which Mr. Sinofsky says the company has made no decision to integrate Web browsing software with Windows.

Instead, a message in June 1994

from him says, "What we should be doing is getting as many third

parties writing Internet things on top of Windows "as possible."

In another electronic message in December 1996, Jim Allchin, another Microsoft executive, is quoted as urging others in the company to begin bundling the company's Web browser, Internet Explorer, with Windows. "My conclusion is we must leverage Windows more," he wrote. Otherwise, "I don't understand how IE is going to win."

"We should think about an integrated solution," Mr. Allchin wrote. "That is our strength."

Several of the Microsoft employees and executives quoted in the Justice Department brief have since filed declarations with the court saying that their earlier e-mail messages were being misinterpreted or taken out of context.

A Microsoft lawyer, John Ward, said that the company would file a petition Monday asking Judge Jackson to dismiss important parts of the antitrust case.

Soothed by Jobs Data, Investors Seek Bargains

Coupled by Our Staff Price Dispacher

NEW YORK — Stock rose Friday after a government report reassured investors that the U.S. economy remains solid despite the drag from Asia's financial turmoil and that inflationary pressures remain tame.

The Labor Department said the U.S. jobless rate remained steady at 4.5 percent in July but that wages —

U.S. STOCKS

which often account for two-thirds of a product's price — rose at a slower pace.

But the report also showed that the pace of job creation slowed in the month, which kept a lid on buying enthusiasm.

The Dow Jones industrial average closed 20.34 points higher, at 8,398.02, and advancing issues outnumbered declining ones by a 2-to-1 ratio on the New York Stock Exchange.

The Standard & Poor's 500 index slipped 0.18 point, to 1,089.45, but the Nasdaq composite index rose 17.26 points, to 1,346.77.

Investors were seeking bargains after a volatile week that included a nearly 300-point drop for the Dow on Tuesday. Even with Friday's gains, blue-chips are still down 3.2 percent from a week ago.

"We were sitting with masses of cash waiting for the market to show some sobriety," said Steve Lieber, chairman of Evergreen Asset Man-

agement. "The sobriety occurred and our pocketbook opened."

Oil companies and technology stocks were among the biggest gainers.

Internet stocks climbed on optimism that advertising and electronic-commerce revenue will rise as the companies broaden their services and expand globally. America Online rose 5% to 110%, Excite gained 4 1/16 to 45 15/16 and Yahoo! rose 4 1/4 to 91 1/4.

Electronic Data Systems rose 4 15/16 to 41 1/4 after the computer-services company said its chairman

and chief executive, Lester Alberto Jr., would leave and his directors would look outside for a successor.

But QAD fell 3 9/16 to 4 11/16 after the company, which makes software for chain stores, said its second-quarter profit would not meet analysts' expectations.

Cisco Systems lost 2 1/4 to 96 7/8 after its chief executive said the computer networking company faced stiff competition in the telecommunications market.

Oil stocks rose on the belief they are undervalued after posting the worst performance in the S&P 500

this year. Exxon gained 1 13/16 to 66 4/4, Chevron rose 1/2 to 77 7/16 and Schlumberger added 1 1/16 to 58 1/2.

Boeing rose 2 3/4 to 39 7/16 after the world's largest aircraft maker denied speculation that its chairman and chief executive, Phil Condit, would resign as soon as Monday.

Cisco Systems lost 2 1/4 to 96 7/8 after its chief executive said the computer networking company faced stiff competition in the telecommunications market.

Oil stocks rose on the belief they are undervalued after posting the worst performance in the S&P 500

Yen Falls on Lack of New Action by Japan

Market News

NEW YORK — The dollar rose strongly against the yen Friday after Japan's prime minister disclosed no new plans to revive his country's faltering economy in his first major policy speech.

Much of what Keizo Obuchi announced in the way of a supplementary budget, fiscal reform and tax cuts had been widely circulated earlier this week or was already part of the previous government's plans.

"There weren't enough surprises with his latest release to move the market away from what has been a

trend," said Glenn Stevens, managing director at National Westminster Bank. "It's a confidence issue."

The dollar was quoted at 144.275 yen, up from 144.275 yen

FOREIGN EXCHANGE

on Thursday. But the dollar's rise against European currencies was limited by jitters over the U.S. stock market and the controversy around President Bill Clinton, Mr. Stevens said.

Even though the Dow Jones in-

dustrial average posted gains on Thursday and Friday, some investors are shifting to European assets, Mr. Stevens said.

The dollar was at 1,7800 Deutsche marks, up from 1,7700 DM Thursday. It rose to 5,9660 French francs from 5,9420 francs and to 1,4958 Swiss francs from 1,4934 francs. The pound slipped to \$1.6295 from \$1.6348.

Elsewhere, the Bank of Canada intervened to try to stop the slide in the Canadian dollar.

The U.S. dollar slipped to 1,5218 from 1,5228 Canadian dollars.

Very briefly:

- SyQuest Technology Inc., a computer disk-drive maker, will lay off 950 employees and end manufacturing at its Fremont, California, plant in a bid to cut costs.
- The Chicago Board of Trade, the world's largest futures exchange, will offer on-line trading of cotton, coffee, orange juice, sugar and cocoa futures to compete with contracts already offered on New York exchanges.
- Japan's Health Ministry warned doctors not to prescribe a prostate cancer drug developed by Schering-Plough Corp. to people with liver problems, after eight patients in Japan died. There was no immediate comment from the U.S. company.
- Canada's July unemployment rate was unchanged at 8.4 percent for the fourth consecutive month.
- Crescent Real Estate Equities Co. canceled its planned \$1.7 billion acquisition of Station Casinos Inc. and sued the hotel-gambling company, claiming breach of contract.
- WorldCom Inc. expects to record charges of up to \$7 billion related to its proposed \$37 billion purchase of MCI Communications Corp. and other big one-time charges may follow as the telecommunications company mulls a post-merger restructuring.

Reuters, Bloomberg, AP

The Trib Index									
Prices as of 4:00 P.M. New York time.									
Jan. 1, 1998 = 100	Level	Change	% change	year to date	% change	High	Low	Latest	Chg. Opt.
World Index	189.99	+ 0.18	+ 0.09	+ 10.39	+ 10.39%				
Regional indexes									
Asia/Pacific	75.09	- 1.42	- 1.83	- 20.80	- 20.80%				
Europe	231.82	+ 2.61	+ 1.14	+ 19.98	+ 19.98%				
N. America	248.09	- 1.04	- 0.42	+ 14.86	+ 14.86%				
S. America	118.83	- 4.31	- 3.50	- 22.17	- 22.17%				
Industrial indexes									
Capital goods	254.20	- 1.05	- 0.41	+ 23.08	+ 23.08%				
Consumer goods	225.14	+ 0.05	+ 0.02	+ 7.35	+ 7.35%				
Energy	188.05	+ 4.82	+ 2.63	- 3.54	- 3.54%				
Finance	139.81	- 0.26	- 0.19	+ 13.70	+ 13.70%				
Miscellaneous	150.05	+ 1.37	+ 0.92	+ 0.11	+ 0.11%				
Raw Materials	181.38	- 0.69	- 0.38	+ 8.45	+ 8.45%				
Service	201.53	- 0.78	- 0.09	+ 15.82	+ 15.82%				
Utilities	165.34	- 1.16	- 0.70	- 0.92	- 0.92%				

International Futures & Forex Traders									
For My Complimentary Services Guide and Latest Research Reports Call Toll-Free, Fax or Email Today									
Euro, British, Canadian, Japanese, Australian, New Zealand, Swiss, Mexican, South African, and Latin American Currencies									
International Futures & Forex Traders									
International Futures & Forex Traders									

AMEX

Friday's 4 P.M. Close									
The 200 most traded stocks of the day, up to the closing on Wall Street.									

Russia Tax Collector Rebukes Lawmakers

Fyodorov Says His Efforts Are Stymied

Coupled by Our Staff From Dispatches

MOSCOW — Russia's chief tax collector blamed Parliament on Friday for blocking his efforts to boost collection and help the cash-strapped government raise the funds needed to keep the economy from collapsing.

Boris Fyodorov, appointed head of the Federal Tax Service in May, said that although he had managed to boost tax collection during his two months, the improvement was not good enough.

The tax service raised 12.1 billion

rubles (\$1.93 billion) in July, about 8 percent more than in June. But the government needs twice that amount to function properly, the official stressed.

"For the government to be able to carry out its functions properly, monthly tax receipts to the budget must be doubled," Mr. Fyodorov said. "But how successful we are does not just depend on us."

He said it was "sad" that "a lot of our proposals" had not been taken up by Parliament.

Mr. Fyodorov said that government plans to reduce the tax burden and close loopholes, which have resulted, among other things, in just 25 percent of income tax being collected, had stalled because of opposition in the lower house of Parliament, the Duma.

The Duma, he said, is "helping those who are avoiding taxes, and if this doesn't change it is difficult to pin hopes on the future."

A special Duma session is scheduled for Aug. 19 and 20 to consider tax law revisions.

The tax overhauls forms the crux of the economy crisis package, and was a key condition imposed by the International Monetary Fund for Russia to secure payments in a two-year \$22.6-billion international rescue effort.

Mr. Fyodorov said that his stance had brought results with the natural monopolies such as OAO Gazprom and RAO Unified Energy Systems.

On Thursday, Prime Minister Sergei Kiriyenko visited the headquarters of Gazprom with the clear intention of demonstrating the government's reconciliation with the company after a dispute over tax underpayment.

Gazprom has now paid the state 3.1 billion rubles in taxes after the government ordered the seizure of company assets.

But the government partially shut off the export pipelines of two oil giants on Friday as punishment for non-payment of taxes, and said tougher measures were yet to come.

The government said it had cut export rights to AO Sidorovo and ONAKO by about a third. The government says the two companies owe it billions of rubles in unpaid taxes.

(*AFP, AFX, Bloomberg*)

Unilever's Net Slips as Asia Casts Shadow

Coupled by Our Staff From Dispatches

ROTTERDAM — Unilever Group said Friday its net profit slipped 1 percent in the second quarter and voiced concern about the impact of the Asian financial crisis on its bottom line.

The consumer products giant earned 1.46 billion guilders (\$730.7 million) in the second quarter, down from 1.48 billion guilders a year ago. Sales rose to 23.57 billion guilders from 23.17 billion guilders.

The results sent Unilever's shares down. In Amsterdam they closed at 133.60 guilders, down 2.90 guilders from Thursday, and in London they fell 13 pence to 577 pence.

Unilever's chairman, Morris Tabakblat, said business had been affected by a slowdown in Asia, which Unilever felt particularly in Thailand and Indonesia, and he warned that the turmoil would be a factor in the second half of 1998.

The difficulties in East Asian economies remain a concern in the medium term and we have also seen signs of economic slowdown in a number of countries in other developing and emerging markets," Mr. Tabakblat said.

Unilever's comments echoed a warning last week by rival Procter & Gamble Co. about Asia.

(*AFP, AFX, Bloomberg*)



JINGLE, JANGLE — Finance Minister Theo Waigel inspecting the first euro coins for Germany, which are to start circulating on Jan. 1, 2002, during his visit Friday to the mint in Munich.

New Models Lift Audi Net Sharply

Coupled by Our Staff From Dispatches

INGOLSTADT, Germany — Audi AG, the luxury car unit of Volkswagen AG, said Friday that its pretax profit climbed 64 percent in the first half of 1998 on strong demand for its A6 and A8 models.

Audi said it earned 804 million Deutsche marks (\$433.7) in the first six months, up from 489 million DM a year earlier. Sales rose to 13.4 billion DM from 10.6 billion DM.

Audi said the results put it on track to post sales of more than 25 billion DM for the full year, after sales of 22.41 billion DM last year.

The sales growth reflects a strengthening economy in Europe and renewed confidence in Audi's cars in the United States. A safety scare, which later proved to be unfounded, caused U.S. sales to plummet in the 1980s. Now Audi is enjoying rising demand for new products like its updated A6, which, together with the A4 and A8 sedans, competes with Mercedes-Benz and BMW models. Audi plans to further

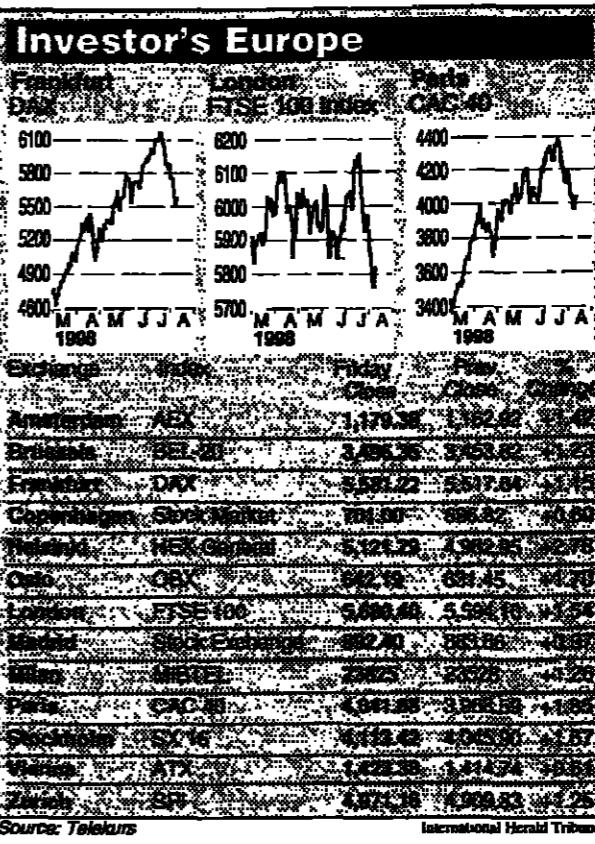
increase output with the introduction of a new sports coupe.

"There's a definite improvement in product mix," said Lothar Lünenbecker, an analyst at Enskilda Securities in London.

Although deliveries in the first half slipped 0.2 percent in Germany, Audi's deliveries in Japan, where it

suffered a 1.5 percent setback, declined 4.978 cars in the first half of 1998.

(*Reuters, Bloomberg*)



Very briefly:

- France plans to sell AOM, the country's second-largest airline, as part of a plan to sell former assets of state-controlled bank Crédit Lyonnais.
- Alliance & Leicester PLC's first-half net income rose 41 percent to £158.9 million (\$259 million) as the British company increased its mortgage lending and improved margins.
- Racal Electronics PLC slumped to a £207 million annual loss from a £40.4 million profit a year ago after it took a £224.5 million charge for the sale of its Data Communications unit to Platinum Equity Holdings for \$47.5 million.
- The Dutch consumer price index rose 0.2 percent in July from June and was up 2 percent from July 1997.
- Matav, a Hungarian telecommunications company, posted a profit of 28 billion forints (\$129.9 million) in the first half of 1998, up 52 percent from a year ago, because of a growing number of subscribers for its fixed and mobile services.
- Britain's Office of Fair Trading said it would be in favor of allowing British Airways PLC and its proposed partner, American Airlines Inc., to sell 267 weekly take-off and landing slots at London's Heathrow and Gatwick airports for their deal to get clearance in Europe.
- Siemens AG's head of the transportation systems division, Wolfgang Martens, plans to step down Sept. 1 amid widening losses at the business.
- Britain's biggest companies are set to spend more than £5 billion to ensure they stay in business when the clocks tick into the new millennium, according to a survey.
- Hungary's first-half current-account deficit widened to \$947 million from \$763 a year ago as investors pulled money out of stocks and bonds on political concerns following national elections.

(*AFP, Bloomberg, Bridge News, Reuters*)

WORLD STOCK MARKETS

Friday, Aug. 7

Daily prices in US dollars.

Trades

High Low Close Prev.

Amsterdam AEX Index 1775.29

Previous: 1772.32

Frankfurt DAX 3501.72

Previous: 3572.44

High Low Close Prev.

Paris CAC-40 3848.89

Previous: 3860.45

London FTSE 100 4195.20

Previous: 4195.10

Madrid IBEX 35 3200.00

Previous: 3198.00

Stockholm OMX 100 1000.00

Previous: 998.00

Kuala Lumpur Composite 424.43

Previous: 423.43

High Low Close Prev.

Singapore STI 3000.00

Previous: 3000.00

Tokyo Nikkei 1770.00

Previous: 1760.00

Shanghai Composite 100 1000.00

Previous: 998.00

High Low Close Prev.

Hong Kong Hang Seng 17400.00

Previous: 17400.00

Taipei Taiwan 100 2040.00

Previous: 2039.00

Brussels BEL 20 349.00

Previous: 349.00

High Low Close Prev.

Buenos Aires Merval 157.22

Previous: 157.57

High Low Close Prev.

Istanbul Borsa 100 1000.00

Previous: 999.51

High Low Close Prev.

Copenhagen Stock 100 1000.00

Previous: 999.50

High Low Close Prev.

Copenhagen Bors 100 1000.00

Previous: 999.50

High Low Close Prev.

Copenhagen Bors 200 2000.00

Previous: 1999.50

High Low Close Prev.

Copenhagen Bors 300 3000.00

Previous: 2999.50

High Low Close Prev.

Copenhagen Bors 500 5000.00

Previous: 4999.50

High Low Close Prev.

Copenhagen Bors 1000 10000.00

Previous: 9999.50

High Low Close Prev.

Copenhagen Bors 2000 20000.00

Previous: 19999.50

High Low Close Prev.

Copenhagen Bors 3000 30000.00

Previous: 29999.50

High Low Close Prev.

Copenhagen Bors 5000 50000.00

Previous: 49999.50

High Low Close Prev.

Copenhagen Bors 10000 100000.00

Previous: 99999.50

High Low Close Prev.

Copenhagen Bors 20000 200000.00

Previous: 199999.50

High Low Close Prev.

Copenhagen Bors 30000 300000.00

Previous: 299999.50

High Low Close Prev.

Copenhagen Bors 50000 500000.00

Previous: 499999.50

High Low Close Prev.

Copenhagen Bors 100000 1000000.00

Previous: 999999.50

High Low Close Prev.

Copenhagen Bors 200000 2000000.00

Previous: 1999999.50

High Low Close Prev.

Copenhagen Bors 300000 3000000.00

Previous: 2999999.50

High Low Close Prev.

Copenhagen Bors 500000 5000000.00

Previous: 4999999.50

High Low Close Prev.

Copenhagen Bors 1000000 10000000.00

Previous: 9999999.50

High Low Close Prev.

Copenhagen Bors 2000000 20000000.00

Previous: 19999999.50

High Low Close Prev.

Copenhagen Bors 3000000 30000000.00

NASDAQ

E

Deviation ; Percent

Friday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

NYSE

NYSE

Friday's 4 P.M. Close (Continued)

12 Month High	12 Month Low	Stock	Div	Yld	PE	S&P		Low	Last	Chg.
						100%	High			
164 14% NSTFII	87 5.5	q	165	155	15%	15%	15%	+1%		
154 13% NSTFII	83 5.5	q	151	154	15%	15%	15%			
369 26% Nutt	-2.52 8.7	z	192	209	28%	28%	29%	-3%		
419 11% OEA	18.8	z	48	59	12%	12%	12%	-3%		
246 15% OEM Ad	20	129	211	207	20%	20%	20%	+3%		
27 22% OGSE Inc	31.33 5.8	z	15	178	264%	264%	268%	+2%		
46 33% OGSE Grp	34 1.9	z	20	122	370%	370%	370%	+3%		
55 9% OIAC Qn	-	z	20	20	20%	20%	20%	+1%		
167 9% OIAC Qn	-	z	13	119	114%	114%	114%	+1%		
414 24% OIACQ	-	z	27	19.47	309%	306%	306%	+2%		
15 25% Oiley	-	z	41	27.92	134	134	134	+1%		
424 18% Oilfield	.04 3	z	17	17.02	253	21%	21%	+2%		
3024 21% OcciPet	1.04	z	58	37.74	144	15%	15%	+1%		
2794 13% Oceanair	n	z	13	22.90	124	12%	12%			
346 17% Oceaner	-	z	418	19%	184	184	184	-1%		
2246 13% Oceanair	1.07	10.1	z	42	45	150%	151%	+1%		
2044 18% Oceanair	1.05	z	42	45	150%	151%	151%	+1%		
3714 17% OceanoDpt	-	z	19	59.60	124	12%	12%	+1%		
1504 11% Oceanus	-	z	19	59.60	124	12%	12%	+1%		
3014 21% Oceanus	1.25 4.7	z	16	1216	2440	24%	24%	+1%		
3214 22% Oceanus	.05 3.5	z	12	40.87	204	20%	20%	+1%		
5134 32% Oclen	1.20 3.6	z	11	61	3494	332%	332%	+1%		
2044 81% Oclen	1.66 1.6	z	24	20.69	79	8%	8%	+1%		
4014 26% OclenH2	9.3	z	8	725	28%	27%	27%	+1%		
1914 11% OclenP	-	z	19	59.60	124	12%	12%	+1%		
4114 26% OclenP	.05 2.2	z	15	151	38%	38%	38%	+1%		
5564 27% OclenP	.50 3.9	z	35	44.42	540	53%	53%	+1%		
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716 39% OclEng	-	z	26	2572	49%	38%	38%	+1%		
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P-Q-R

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Vietnam Devalues Dong by 7 Percent

Compiled by Our Staff From Dispatches

HANOI — Vietnam devalued its currency Friday for the third time since October, continuing its efforts to slowly ease the currency's level rather than risk the precipitous plunges that have ravaged other Asian currencies.

The devaluation, effectively 7 percent, was a two-step move that began late Thursday when the State Bank of Vietnam narrowed the trading band within which the dong can trade from 10 percent to 7 percent.

On Friday, the bank moved the official target rate to 12,998 dong to the dollar from 11,815 dong on Thursday. As a result, the floor of the new trading band is 13,907 dong.

The move brought a little relief to battered exporters and generally was welcomed by bankers, who have said for months that the dong was overvalued.

"It's a step in the right direction, but we feel there is some more to go," said David Pollitt, manager of treasury for Hong Kong Bank in Ho Chi Minh City.

But the sinking also caused some immediate confusion and little movement in a stagnant market where most people are hoarding U.S. dollars in anticipation of further cuts.

It also sparked jitters in a region nervous about the recent falls in the

yen, which in turn have put pressure on China to devalue the yuan.

The dong has been trading at the low end of the trading band since before the Asian economic crisis started 13 months ago. The Vietnamese dong is a nonconvertible currency internationally, and trading is subject to strict restrictions within the country.

Vietnam has been under simultaneous pressure to open its markets to attract more foreign investment and devalue its currency to give a boost to export-dependent industries, especially after nine months of bad weather hit crops hard.

But it has kept a tight rein on the dong, fearing the higher cost of imports and payments on its dollar-denominated foreign debt.

Stewart Hall, head of Vietnam Treasury operations at Standard Chartered Bank, said that while the devaluation was a move in the right direction, pressure on the currency will remain.

Dollar demand is still considerable and the underlying pressures on the exchange rate remain due to domestic and international factors," he said.

Complaints have been rising from exporters, many of which have been shedding jobs as their sales shrink.

(AP, AFP)

YUAN: Speculators Intensify Attacks

Continued from Page 1

"significant impact" on economic growth, Mr. Levinson said. He said some economists estimated it could knock 1 or 2 percentage points from the gross domestic product figures.

These factors helped push the dollar's black-market exchange rates in China above 9.0 yuan Friday, compared with the official rate of 8.28 yuan, increasing devaluation pressure.

China's central bank Friday denied reports that spread through Tokyo that the bank's governor, Dai Xianglong, had suggested the Chinese yuan might be devalued.

But growing skepticism has led some major investment banks and U.S.-based hedge funds to launch massive attacks on the Hong Kong dollar this week, and the activity is not expected to abate soon because the fundamentals underlying the attacks are not expected to improve, according to traders.

As a result, the Hong Kong's Hang Seng index ended 3.25 percent lower, at 7,018.41, its lowest level in more than three years. Exactly one year ago, it peaked at 16,820.31 points.

Hope also is fading that Japan will be able to revive its economy fast enough to halt the region's slide. A major speech Friday by Prime Minister Keizo Obuchi of Japan failed to reveal any more details about the

government's reform plans.

Japanese officials continue to indicate a reluctance to force banks to get rid of their massive pile of bad debts.

Remarks by Hiroshi Okuda, president of Toyota, this week added to the pessimism.

"There is a possibility of Japan triggering a worldwide financial crisis such as a steep stock market plunge involving Europe and the U.S.," Mr. Okuda said Thursday at a conference of Japan's Employer's Federation, according to a published report. To avoid that, he said, solving the bad loan problems "is an urgent task."

The dollar traded at 145.540 yen in Tokyo, and was quoted late in New York at 146.225, up from a close Thursday of 144.275 yen.

"The market is putting pressure on Japan," to quickly tackle financial reforms, said Minoru Matsuda, a currency trader at Citibank. With foreign investor confidence fleeing Asia, "the next few weeks are crucial," Mr. Matsuda said.

Some companies, however, are already preparing for China's devaluation of the yuan, according to Bloomberg News. When executives at S.K. Corp., South Korea's largest oil refiner, heard China might devalue its currency, it sold won — the world's best performing currency this year — and bought \$10 million.

Seoul Presses for Reforms

Conglomerates Must Set Restructuring Plans by Dec. 15

Agence France-Presse

SEOUL — South Korea's financial watchdog on Friday gave the country's top five family-owned conglomerates and their creditor banks until Dec. 15 to come up with corporate restructuring plans.

It said the conglomerates, known as *chaebol*, would face punitive action, including suspension from trading and the calling in of loans, if they failed to carry out reforms.

The five conglomerates — Hyundai Group, Samsung Group, Daewoo Group, LG Group and SK Global — will have to submit new programs to restructure and improve their financial structure to their respective creditor banks by the end of September, the Financial Supervisory Commission said. The banks

and *chaebol* will then have until Dec. 15 to finalize the plans.

The commission spelled out the timetable as South Korean corporations, including the top five *chaebol*, agreed to lay down detailed plans for their restructuring, including swaps of business units, by the end of the month.

An official at the Federation of Korean Industries said it would then discuss the plans with the government, which is pushing for corporate and financial reforms as it seeks to pull the economy out of its deep slump.

Details of the agreement were not known, but included in the reforms are swaps of business units among *chaebol* so each can focus on core businesses.

Four banks were not named, but so far the audits on four of the six banks have been made public. The four were Bank Damnon, Bank Umum Nasional, Bank Tiar Asia and Bank PDPCI.

Negotiations are under way with buyers interested in acquiring some of these banks as going concerns, the document said, adding the banks' nonperforming loans will first be transferred to the bank restructuring agency's Asset Management Unit.

A memorandum of understanding for at least one of these sales is expected to be completed by Aug. 21, it said.

On April 4, the government placed seven banks under the restructuring agency's management and froze the operations of seven other "unsound banks." It later pulled state-owned Bank Ekspor-Import Indonesia out of the agency.

Audits have been completed for the six large private banks taken over by IBRA in April, said an official document sent to the International Monetary Fund.

"Shareholders' rights have been transferred to IBRA, and insolvency declarations have been made in four cases," said the document, which was released here.

The four insolvent banks were

among six private institutions taken over by the Indonesian Bank Restructuring Agency four months ago.

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Panels Scheduled For The Two-Day Conference Include:

- Strategic Options For Upstream: Lower Prices, Higher Costs
- The Price Outlook For 1999: Is There A Way Out Of Market Doldrums?
- LNG: The Supply Glut And The Commercialization Of The Business
- The Environment: Finding Market Solutions
- Using Intelligence For Business Decisions
- Global Adjustments In The Brave New World Of Weak Market Fundamentals
- The Middle East: The Challenge Of Reasserting A Pivotal Role In The Industry
- 2nd Petroleum Executive of the Year Award Presentation and Banquet

An Executive Conference Hosted by



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The 19th Annual OIL & MONEY CONFERENCE



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THE BRAVE NEW WORLD OF MARKET FORCES: CRISES AND OPPORTUNITIES FOR INTERNATIONAL OIL AND GAS

This two-day executive conference will provide a platform for open debate — both among speakers and attendees — over issues of politics, geopolitics, and finance. Discussions by high-level company and government officials will focus on the Middle East, with a sectoral emphasis on emerging markets.

Confirmed Speakers Include:

His Excellency Youssef Yousfi, Minister of Industry and Energy, Algeria

His Excellency Seyyid Mehdi Husseini, Deputy Minister of Petroleum, Islamic Republic of Iran

His Excellency Saud al-Nassir al-Sabah, Minister of Petroleum, Kuwait

Wayne Allen, Chairman and CEO, Phillips Petroleum Co

Euan Baird, Chairman and CEO, Schlumberger

Franco Bernabe, Managing Director and CEO, ENI

Pierre Jungels, CEO, Enterprise Oil

Adrian Lajous Vargas, Director-General, Pemex

Jean-François Rischard, Vice President at the World Bank

Hoesung Lee, Advisor, Korea Energy Economics Institute

Gordon Shearer, President, Cabot LNG

Tim Cottew, Chairman and CEO, Osprey Maritime Ltd. (Singapore)

Hiroshi Nemichi, Chairman and Managing Director, Mitsubishi Corp

Richard N. Cooper, Harvard University professor and former US Undersecretary of State

Anthony Finizza, Chief Economist at Arco

Lynton Jones, President of the Intl. Petroleum Exchange

Christophe de Margerie, Senior Vice President of Total (Middle East)

Sharif Ghalib, Director, Sovereign Ratings Group, Standard & Poor's

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With a Shrug or Smile: How Service Levels Vary in Mutual Funds

By Aline Sullivan

Are you being served? For mutual fund investors that depends on where you sit. Money Report correspondents posed as prospective investors and approached 15 big fund companies for information about their offerings. Here are some of the questions they asked.

We targeted three big fund management companies in each of United States, Britain, Continental Europe, Hong Kong, and the offshore markets, asking them to suggest an equity growth fund for an initial investment and then asked a series of questions to test their knowledge and service.

The funds could hardly have been more different. Some quantified their risks, others proffered no opinion at all. Some encouraged customers to access them via 24-hour phone services and the Internet for information and even trading; others will only deal with investors during business hours.

Most of the funds were of the open-end variety, but a few closed-end funds were recommended as well. In some cases, the agents suggested buying open-ended funds traded on European stock exchanges, where a sufficiently large purchase could result in smaller brokerage commissions than the loads levied for direct purchases from the funds. One closed-end fund, however, was offered with a load four times greater than the standard brokerage commission.

The fees levied by the funds differed vastly. Some no-load funds charged only modest performance fees while others carried hefty front-end loads and slapped on significant annual, redemption and switching charges.

THE AMERICAN FUNDS were the clear winners in almost every category. The three companies, Fidelity Investments, the Vanguard Group and Franklin Templeton Funds, provided an extremely high level of assistance. All the telephone representatives were well-versed, pleasant and patient.

Customer service is a priority with no-load groups like Fidelity and Vanguard because they deal directly with the public and shareholders, but it was equally efficient at Franklin Templeton, which sells through brokers and financial advisers. The Franklin representative suggested contacting a financial consultant for more information but acknowledged that investors could open an account directly when asked, adding quickly that the commission would be the same.

Franklin Templeton's representative also offered helpful tips on which class of shares would be most suitable. Both Vanguard and Fidelity gave an idea of a fund by citing a few company names in its holdings. None of the three gave anything resembling a sales pitch.

Perhaps the most striking aspect of the U.S. funds was their provision of technology to serve investors' needs. All three noted that investors could download prospectuses from their Web sites, access a wealth of other useful information and, except for Franklin Templeton, complete many transactions on-line.

But technophobes had nothing to fear. No one suggested touch-tone phone service or Web sites as replacements for the personal touch. Fidelity,

A Question of Service

Money Report correspondents posed as prospective investors and approached 15 big fund companies for information about their offerings. Here are some of the questions they asked.

- 1 I am interested in this fund. What is its objective and how long is it?
- 2 Tell me about its recent returns and its risks.
- 3 Who is the fund's manager?
- 4 What are the fees for this fund?
- 5 What kind of reports about the fund do you send to shareholders?
- 6 What kind of account statements do you send?
- 7 Is there a 24-hour service with account information? When is the service available?
- 8 What is the minimum initial deposit? Is there a minimum for subsequent investments or a monthly savings plan?

for one, must be making insomniacs and Sunday investors happy by having real, live phone representatives available 24 hours a day, seven days a week.

Indeed, our New York-based reporter's only gripe was the length of time it took to receive a prospectus. The longest delay was nine days.

Britain has a better postal service. But that is probably of little consolation to its investors who are, on the whole, treated much worse than their U.S. counterparts. Our correspondent in London found that none of the companies provided exactly what he asked for. The agents and the literature tended to put things in dense, obfuscating language.

Worse were the omissions. One of the companies, M&G Securities, offered to sell investment trusts (closed-end funds) with an initial sales charge of 4 percent and did not mention that the same transaction on the stock exchange carries a 1 percent charge. Rachel McDowell, a M&G Securities spokeswoman, said: "I don't see that we're under any obligation to give a complete review of the market and tell people how to go through other channels."

None of the British fund managers handle phone inquiries on weekends or evenings. The majority of clients of Schroder Unit Trust Management, Perpetual Unit Trust Management and M&G Securities must interrupt their work or lunch to do business with them.

Customer-service representatives, once reached, seemed thrown at times by questions that went only slightly beyond rudimentary. An agent could offer no satisfactory answer when asked about the risks of the *Perpetual High Income Fund*, for instance. When pressed, she replied: "At Perpetual we don't risk-rate our funds. There's not anything more I can say, it's just a unit trust."

Roger Cornick, Perpetual's deputy chairman, defended his employee, saying that "if you don't know the answer yourself, the correct thing — and the thing that was done in this case — would be to be honest and say they don't know."

SHOULD SHE NOT have offered to have someone more knowledgeable call back with an answer? "Yes, that would have been preferable," Mr. Cornick conceded.

The Perpetual agent knew little about risk but was intimately acquainted with the fund's charges. The bid-offer spread was 6.5 percent, meaning that the price to buy shares in the fund were 6.5 percent higher than the price at which they could be sold. This spread embodies the various charges levied by management companies, including in this case the 0.5 percent government stamp duty, the 5.25 percent initial sales charge and

5.25 percent representing "the cost of buying the units."

But units are not bought, they are created by the fund, based on demand.

What she meant, Mr. Cornick said, is that there are costs involved in putting new money to work in the markets and that the bid-offer spread factors in those costs. Perpetual's practice, he said, was "standard for all managers."

The spread of Schroder U.K. Enterprise was equally inflated, yet its representative only mentioned the initial charge, so points to Perpetual for forthrightness. The spread of M&G's Recovery Fund, however, did not reflect anything other than stamp duty and the initial charge.

Dutch and Swiss agents were more eager to please than the British if not as knowledgeable as those in the United States.

The Union Bank of Switzerland agent was particularly helpful:

volunteering that the fund could be purchased through the stock exchange and detailing the investment and fee considerations to determine if that was worthwhile.

He also noted all the changes that would affect the fund following the UBS merger with Swiss Bank Corp.

THE FRENCH AGENT at Credit Lyonnais SA was more brusque.

She was also the only one of the 15 agents interviewed not to know the name of the fund manager, let alone his tenure. But she cheered up when asked about trading through the company's Web site, saying: "such technological developments won't happen here any time soon."

The three European funds are aimed at although not restricted to investors living in their respective countries. The

Trust proved to be the straightest shooters of the three: they sent a proper summary of the fund they promised, although no formal prospectus. It was also the only Asian company interviewed to provide a benchmark against which to compare its funds. The JF fund offered was the Global Securities Trust, in business since 1974. Over the last five years, it has tended to outperform slightly or track the MSCI World Index.

International Herald Tribune

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GENTS AT ALL the three offshore fund management companies: Fleming Fund Management, Fidelity International in Luxembourg and Mercury Asset Management in Jersey were all reasonably friendly and helpful but differed greatly in their accessibility and knowledge.

Their literature also varied significantly.

Fleming's report was most informative, easiest to follow and attractively laid out. It included the top 10 holdings for each fund, with percentages, absolute and relative performance figures and a graph plotting growth of the fund and its benchmark index for 10 years or since inception for newer funds.

It also provided information for investors with a bent toward technical analysis, such as measures of volatility and sensitivity of returns relative to the benchmark.

Mercury offered almost identical information on each fund, without the little corner of each page that Fleming devoted to volatility and risk measurements. One nice touch: Mercury listed the name of an individual to contact for further information. It also stressed the importance of verifying with a professional the tax consequences of investing offshore, a critical aspect of such investment. Mercury is the leader in costs with the lowest sales charges of the three and the only one not to charge one percent to switch between funds.

FIDELITY'S LITERATURE was the least user-friendly of the three, with much of it devoted to cataloging awards it had won from various rating services and magazines. One advantage for prospective clients, however, is that Fidelity's customer-service lines are open on weekends and are accessible through toll-free phone

numbers in several countries. Also, it offers a monthly savings plan that the other offshore funds do not.

The offshore funds were the least impressive of the 15 surveyed when it came to settling electronic transfers. Mercury provides settlement as soon as wired funds are received, but the other two companies said they did not put new cash to work for five business days after it was received.

Elsewhere, the Robeco agent said settlement would take three to five days, and the UBS agent was unsure how long it would take. Most of the other funds credited electronic payments within 24 hours, but in Britain, Schroder said it did not accept electronic transfers.

The application process for all of the funds was straightforward; all investors had to do was send a check for the required minimum deposit along with the appropriate forms.

Many of the funds offered monthly savings plans, which typically allow the smallest denomination of investments after an account is opened.

Because we called big mutual fund families, we expected them to allow investors to switch into other funds in each company's stable. Indeed, all but one family did, and many of the load

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American Funds	
Fidelity Fund	Franklin Small-Cap Growth
1 Growth and some income. \$8.74 billion.	Long term capital appreciation. \$4.6 billion.
2 33.54% in latest 12 months, annualized for 3 years, 22.6% for 5 years. Moderate risk.	13.85% in latest 12 months, 20.53% annualized for 3 years, 23.84% for 5 years. Aggressive risk.
3 Beth Terrana, since 1993.	Edward Jamison since 1992.
4 Annual expense fee (0.58% in 1997) and \$12 maintenance fee on accounts under \$2,500.	Class I: 5.75% load, annual expense fee (0.92% in 1997). Class II: 1% front-end load, 1% back-end load if sold within 18 months. Annual expense fee (1.60% in 1997).
5 Twice yearly on holdings, strategy, performance analysis.	Twice yearly on holdings, letter from manager discussing performance and outlook.
6 Quarterly statement of balance and activity. Annual tax.	Account statements whenever there is activity. Tax information annually.
7 Yes. Agents, phone and Web site.	Yes, by phone and web site. Agents available 8 A.M. to 8 P.M. weekdays, Noon to 8 P.M. Saturday.
8 \$2,500. \$250 subsequent or \$100 via monthly plan.	\$1,000. \$50.
Contact information: Telephone: 1 800 534 1910, collect call invited, or toll-free in United States, 1 800 669 6000, or toll-free in United States, 1 800 662 7457. Web site: www.fidelity.com	Telephone: 1 415 312 5300, or toll-free in United States, 1 800 342 5236. Web site: www.vanguard.com

Europe Funds	
Robeco Rolineco	Steuav 5000
1 Long-term capital growth. 6 to 7 billion guilders.	Growth and some income. 77.5 billion French francs.
2 Up 8% in 12 months, 25% annualized over 3 years & 15% over 5 years. Low risk because it invests worldwide.	Up 30.3% in 12 months, 75% annualized over 3 years & 15% over 5 years. Risk is higher than bonds.
3 Mr. De Bruin for 15 years, ending Sept. 1. Then Ms. Kemna. Agent said it was "just a management change."	Agent did not know manager's name.
4 0.5% to buy and to sell. Annual expense fee (0.25% in '97). Closed-end fund, can be traded on exchange; agent said this was only worth while for large transactions.	1% load. 1% management fee included in price. Custody fees range from 0.1% to 0.5% annually.
5 Twice yearly reports show asset allocations and manager's outlook. More information on request.	Quarterly report shows performance, geographical and asset diversification but does not identify companies.
6 Prices, dividends and holdings sent after each transaction, annually and upon request.	Annual statement shows number of shares and value. Quarterly statement on request.
7 Yes, prices only by phone system or Web site. Agents available 8 A.M. to 9 P.M. Mon.-Fri., 9 A.M. to 5 P.M. on Sat.	No, information by phone 8 A.M. to 5:30 P.M. weekdays. Phone transactions only in Switzerland.
8 1,000 guilders; monthly plan available for 100 guilders.	Swiss investors, 880 Swiss francs; others, 50,000. 1

THE MONEY REPORT

Good Time to Snap Up Bargains, but Beware

IM COMING to work with a lot more enthusiasm than I have in a long time," Jay Weinstein, the small-cap guru, told me last week. This was an unusual statement considering that (a) Mr. Weinstein's business is managing portfolios loaded with small-company stocks, and (b) the Russell 2000, the small-cap index, had just suffered its 13th losing session in 14 days and was off 19 percent from its April high.

Yes, Mr. Weinstein admitted, he owns lots of small-company stocks that have been clobbered, but he is more excited about the prospect of buying more at reduced prices.

There is a lesson here for all of us. Market declines present wonderful opportunities. That's hard for many investors to understand. They're happy to buy stuff on sale, but not stocks.

Warren Buffett, the hugely successful investor, once wrote: "As far as I am concerned, the stock market doesn't exist. It is there only as a reference to see if anybody is offering to do anything foolish." There are lots of foolishly low prices out there now.

But there are dangers. What goes down can go down some more. In 1973, for instance, the Standard & Poor's 500 stock index, a proxy for the broad market, fell 17 percent, the biggest loss in 32 years. But in 1974, it kept falling, racking up a 30 percent loss, the biggest in 37 years.

The greater risk for many investors, however, is to view corrections with dread, a best holding tightly to what they have, at worst selling.

Instead, you should follow Mr. Weinstein's joyful example and go shopping for bargains. They are certainly more abundant than they were a few weeks ago. Here are two fields of dreams:

Branded Wallflowers. This is a phrase I coined a few years ago for brand-name companies that were being shunned by investors for no good reason. The original BWs, such as Citicorp, have soared out of sight, but some have fallen back to earth in the recent correction.

JAMES K. GLASSMAN ON INVESTING

A leading retailer of home furnishings, with 148 stores.

The stock has been hammered lately, falling 28 percent in a month — despite a bottom line that is "advancing nicely, benefiting from the rapid maturation of its expanding storefront base," according to Value Line.

The company is expected to earn \$1.29 per share for the year ending February 1999; that is a prospective P/E of 16.

Value Line also gives high marks to MBNA Corp., the huge credit-card issuer, whose stock dropped 20 percent in three weeks and now trades at a prospective P/E of 23, relatively modest for a company whose earnings continue to grow at 20 percent-plus. The stock is a top holding of Legg Mason Value Trust, a fund that has been whipping the market this year.

Two other stocks that, despite being favored by investors, enjoy Value Line's highest status (a "1" rating) and qualify as BWs: Ethan Allen Interiors Inc., home furnishings, with an estimated P/E of 16 and a decline from its high of 38 percent;

Outback Steakhouse Inc., with a forward P/E of 17 (down from 29 in March) and a recent price decline of 20 percent.

Small caps. Small-capitalization

stocks have been in a bear market for four months. Over the past year, the Russell 2000 is down 3 percent while the S&P 500 is up 13 percent. That is an incredible disparity that will be corrected at some point. When, no one knows.

But the prices of many individual small-cap stocks appear irresistible. Mr. Weinstein, who heads Oak Forest Investment Management in Bethesda, Maryland, pointed to Escalade Inc., as a good example.

"It's probably being given away," he says. Escalade, based in Evansville, Indiana, is "a classic nice little company," with a market capitalization of \$64 mil-

lion. It has two manufacturing lines: sporting goods (including archery equipment) and office equipment (check signers, letter openers, etc.). It traded Friday at \$21.25 a share and last year earned \$2.25.

The story gets better. In June, the company made a deal to sell its sporting-goods business for \$74.5 million, or a net, after debt payoff and taxes, of about \$13.50 a share. "So you are paying \$6.50 a share for an office products company that will make \$1.15 to \$1.20 next year," said Mr. Weinstein. That is a P/E of less than 6. "Plus, it will have the cash to buy in its own stock or make acquisitions. This seems like a no-brainer."

It is not the only one out there. Mr. Weinstein also pointed to Astronics Inc., a stock he recommended in my Top 10 list in January 1997. At the time, it traded for \$5.50 a share. If it hit \$14.63 on June 30, 1998 — a gain of 166 percent in 18 months. But since then it has been caught in the small-cap downdraft, falling as low as \$10 last week.

Astronics, with a market cap of just \$51 million, is also a company with two lines: electronics for the aerospace industry and specialty packaging. It has incredibly steady earnings, which have

been rising every quarter for the past four years. Profit increased 27 percent for the six months just ended, but the stock's current P/E is only 13. Astronics recently landed a lucrative \$50 million government contract, but investors do not seem to care. They have driven the stock down 28 percent in the past six weeks.

When I spoke to Mr. Weinstein on Wednesday, he was also rhapsodizing over a little company called Dataram Corp., which makes memory-upgrade boards for workstations and servers for big companies. Dataram has a beautiful balance sheet with lots of cash, but it seems to be misunderstood. It does not make microchips — a tough business — but buys them from others and assembles them on its boards.

Dataram trades at a P/E of just 8 despite earnings that have risen 45 percent in the past 12 months.

Mr. Weinstein is not the only small-cap enthusiast. Even Dow Theory Forecasts, a newsletter that normally focuses on blue chips, is recommending Patrick Industries Inc., which makes building products for the recreational vehicle industry. Patrick, with a market cap of \$85 million, trades at a forward P/E of 10 and a price-to-sales ratio of just 0.22 (anything below 1.00 is normally considered cheap) — "far too low," writes Dow Theory, "given Patrick's profit margins and historical growth rate."

This list of potential bargains is not meant as a buying guide but as an indication of what's out there if you look closely. The long-term trend of the stock market over the past century has been up. In the past, sharp declines, like the one since July 17, have been great times to go shopping, not to hunker down — and certainly not to sell good companies that you should hold for the long term.

Washington Post Service

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Lose a Price, Raise a Price: Franklin Increases Mutual Series Loads

By Carole Gould

NEW YORK — It was, to say the least, odd timing. Last month, after Franklin Resources Inc. announced Michael Price was surrendering his chief executive title and stock-picking duties at its Mutual Series fund unit, the company increased the front-end loads for small investors in the six funds.

The load, or initial sales charge, was raised to 5.75 percent from 4.5 percent for those with less than \$50,000

invested. So not only are investors left without the skills of Mr. Price, the vaunted value investor, but many will have to pay more for the privilege of buying shares.

The reason for Franklin's move could lie in its own flagging share price, according to analysts. Shares of Franklin Resources have fallen 25 percent from a high of \$57.3125 on April 13 to \$43.1875 on Friday afternoon.

A. Michael Lipper, chairman of Lipper Analytical Services in Summit, New Jersey, said Franklin might be hoping the increased sales load will "get more brokers who are looking for a higher-loaded fund to

sell." But why the weakness in Franklin stock to begin with? One reason may be the company missed its second-quarter earnings estimate of 54 cents a share by 2 cents.

But a more serious influence is likely to be the Asian economic crisis. Some investors may be looking at Franklin's international and emerging-markets exposure through its Templeton funds group, which is focused on foreign stocks. Templeton funds account for 46 percent of Franklin's assets.

New York Times Service

Offshore Funds

Fidelity European Growth	Mercury Select: Trust: Euro. Opportunities	Fleming Flagship American
1 Long-term capital growth. Agent did not know size and did not call back as she had promised.	European smaller companies. \$744 million.	Long term growth. \$2.03 billion.

Up 49% in 12 months and 28.6% annualized over 5 years. Higher risk than bond funds (only information available)	Up 46.8% in 12 months and 29% annualized over 5 years. Higher risk than funds investing in larger companies.	Up 33.4% in 12 months and 202.4% total over 5 years. Not high risk.
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3 Anthony Bolton since 1990 inception.	Eduardo Mercadante Fund representative did not know tenure.	Jonathan Simon since 1988 inception.
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4 5.25% initial charge. 1.5% annual fee.	5% initial charge, discount possible for big transactions. 1.5% annual fee.	5% initial charge, 0.5% redemption charge, 1.25% annual fee.
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5 Annual and interim reports only by request. They show breakdown of investments and manager's statements.	Monthly report showing largest holdings and performance.	Monthly reports on request showing sector breakdown, also available on Web site.
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6 Contract note confirming transactions. Yearly account statement.	Quarterly or semi-annually, depending on investors' preference.	Statement every six months showing value of holdings and transactions.
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7 Yes, via Web site (no trading). By phone 9 A.M. to 6 P.M. London time every day.	Yes, via Web site (no trading). Agents available 8 A.M. to 5 P.M. London time weekdays.	Yes, via Web site. By phone 8 A.M. to 5 P.M. London time, 1:30 deadline for same-day trading.
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8 £1,500 or a monthly pledge of at least £50.	\$5,000, \$1,000	\$2,000, \$1,000
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How Service Levels Can Vary

Continued from Page 15

funds reduced the front-end load on switches, often waiving it for money-market funds.

Credit Lyonnais was the exception, requiring investors to cash out of one fund before purchasing shares in another.

The information contained in this article and the accompanying tables reflects the answers provided by fund representatives and the literature that was mailed.

Questions were posed during the late spring and early summer, and the responses reflect the funds' status as that time.

BRIEFCASE

A History Lesson in Growth Stocks

"We've recently been buying growth stocks," Richard Babson, chairman of Babson-United Inc. told the Money Report last month. Recently meaning since 1950; Babson-United has a

bit of history behind it.

Mr. Babson is the first cousin twice removed of Roger W. Babson, who founded the investment-advisory and financial-publishing company in 1904. Babson-United springs from the same roots but has never been linked to the Babson mutual fund family, which was established by a cousin, David L. Babson.

Babson-United has investment-advisory clients in 48 American states and seven other countries, and it is looking to expand further afield. "We are unlike a broker, unlike a bank, unlike a mutual fund company," said Mr. Babson. "We

give people advice that is aligned with their interests."

Financial intermediaries, he said, have an inherent conflict in offering advice because they are also trying to sell products. While Babson-United manages \$2 billion so for individuals, as well as pension funds, profit-sharing plans and the like, Mr. Babson was most enthusiastic when describing its nondisclosureary accounts. These are for clients who just want some investing advice, which they are free to act on or not. If they like an idea, they call their brokers and trade accordingly.

The service is for people with portfolios of at least \$40,000, and it costs a minimum of \$4,000. The fees are calculated as a percentage of assets, and that 1 percent minimum can fall to 0.1 percent for an investor with several million dollars. The system works as an alternative to mutual funds, which, Mr. Babson said, are not as focused on growth as he is.

The company recommends "brainpower" stocks, Mr. Babson said, companies that can improve their products and services and thus raise prices. These include the bond insurer MBIA Inc.; State Street Corp., which provides financial services to institutional investors; and Boston Scientific Corp., which makes

medical devices meant to minimize corporal invasion.

When Babson-United finds an industry it likes, it looks for the best company to own and suggests its clients drop laggards. In construction-related fields, for example, it suggested clients switch out of Flour Corp., which has been affected by the Asia crisis, and into Illinois Tool Works Inc., where he said earnings are more stable and predictable.

Another switch that Mr. Babson suggested was out of IBM Inc. and into Bestfoods Inc., formerly Iowa Beef Processors, the largest beef processor in the world, and is facing an oversupply of poultry and pork combined with the recent e.coli bacteria scare.

Bestfoods, which changed its name from CPC International Inc. in January, sells packaged foods around the world under such brands as Hellman's mayonnaise and Knorr soups. Mr. Babson likes its expansion into Eastern Europe, as well as its diverse stable of brands. (IHT)

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DAVE BARRY

Yelling at the Toilet

MIAAMI — Today's topic, in our popular "Practical Homeowner" series, is: Dealing With Common Plumbing Problems.

Common problems can strike your plumbing at any time. For instance, I have here a Kansas City Star story that was sent in by alert reader Sam Fey, concerning an incident that occurred in a Jefferson County, Missouri, town called House Springs. This story, which I am not making up, states:

"A House Springs mobile home was damaged when a Civil War-type cannonball smashed through a window and two interior walls Thursday night before crashing into a toilet and lodging in a bathroom wall."

Fortunately, the bathroom was not occupied when the cannonball entered. But that fact, frankly, gives me little comfort. I think most Americans would agree with me that the greatest benefit of being a U.S. citizen, aside from having the freedom to change our long-distance phone company on a daily basis, is the sense of security we get from knowing that, while sitting on the commode, we are relatively safe from cannon fire. But now we see that security being eroded. We see an America with virtually no restrictions on the sale of cannons or large slingshot devices. We see an America sliding back into the "climate of fear" that gripped the nation during the Civil War, when the cannonball problem became so severe that ordinary citizens were afraid to use their own outhouses.

REBUTTAL FROM NATIONAL RIFLE ASSOCIATION PRESIDENT CHARLTON HESTON: "Mr. Barry, like so many members of the so-called 'news media,' has taken an isolated incident and twisted it into a bogus argument for trampling on the constitutional right of American citizens to keep and bear cannons or large slingshot devices for personal protection or legitimate recreational purposes. I, personally, when not pursuing my active show-business career of stamping in movies released 47 years ago, enjoy nothing more than heading out to the forest with my authentic reproduction Civil War cannon and hunting for legitimate small game such as squirrels. Talk about a sporting challenge: YOU try getting those wily critters to climb into the barrel! I smear it with Cheez Whiz. Thank you."

But the point of today's column is that common problems can strike your plumbing at any time. The question is, what should you do about it? For a description of one possible approach, let's look at another news item, sent in by several alert readers, from a Franklin, Massachusetts, newspaper called *The Country Gazette*. This item, which I am also not making up, states, in its entirety:

"**MILLIS** — Police responded to a suspected domestic disturbance on Nov. 2 at 9 P.M. after neighbors reported hearing screams. Officers found that the occupants' toilet was not working and that they were yelling at it."

We can all relate to this. I certainly have yelled at my share of toilets. (My share of toilets is 23.) But a far better technique, as any plumbing professional will tell you, is to speak to the toilet in a gentle, soothing voice, and then, once you have gained

its trust, hit it with a hammer. This also works with VCRs. If this technique does not solve your problem, you should check to see if a foreign object is clogging your plumbing. I have here yet another newspaper item, sent in by many alert readers of the Fairbanks Daily News-Miner, concerning an Alaska homeowner named William Keith, whose plumbing backed up in February of 1995. Keith finally called in a professional, who determined that the septic system was being blocked by — get ready — a dead moose. Yes. The story states that the moose, which weighed 1,000 pounds, apparently was wandering around, fell through the septic-system cover and went to the Big Tundra in the Sky. There was no indication that a cannonball was involved.

If you suspect that this type of problem has occurred in your plumbing system, the quickest way to find out is to carefully examine the interior of your septic tank and see if you spot anything suspicious, such as a large, unexplained dead moose. If so, DO NOT PANIC. Remain calm, get into your car, drive away at high speed and never come back.

In conclusion, you can solve most common household plumbing problems with nothing more than "plain old common sense" and a hammer and a 12-foot armored steel wall around your house. Next week's topic in our popular "Practical Homeowner" series will be "Your Household Electrical System: Is It Eating Your Brain?" featuring a rebuttal by H. Ross Perot and his invisible friend "Pokey."

Until then, happy homeownership.

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We see an America with no restrictions on the sale of cannons.

A Struggle for the Soul of a Parisian Restaurant

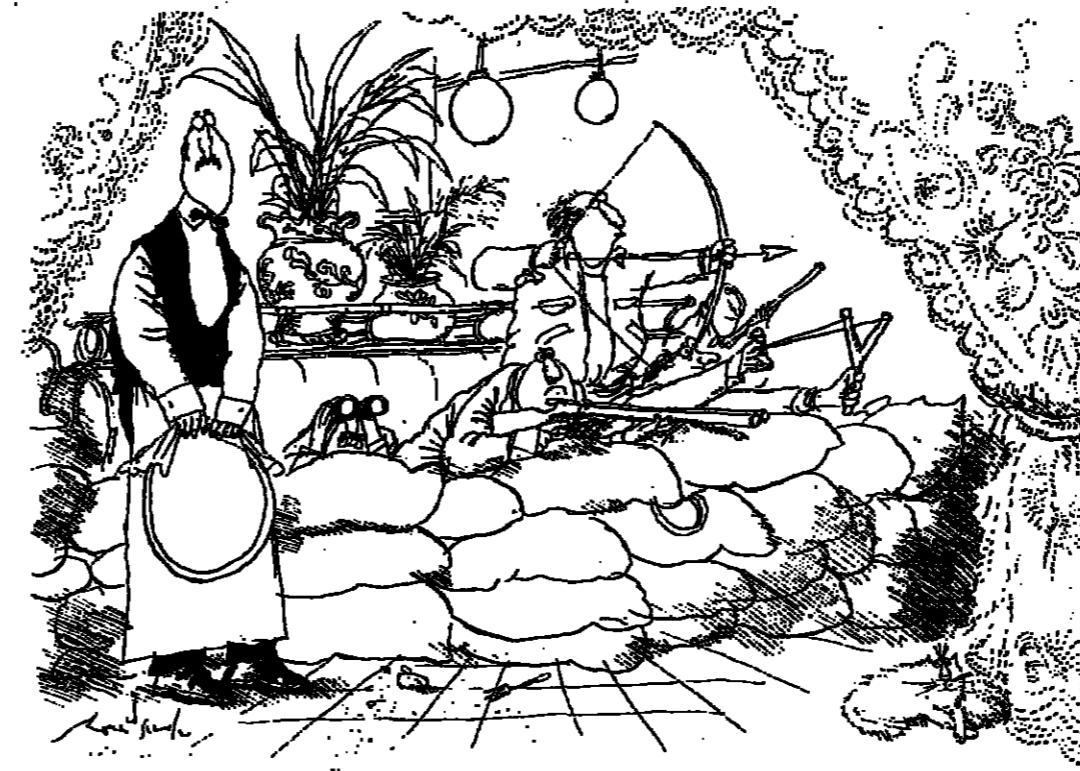
By Mary Blume
International Herald Tribune

PARIS — Culture and commerce clashed the other week at Le Balzar, the old and much loved Left Bank brasserie, and as is usual in France no one wanted to be on the side of commerce.

The occasion was an impasioned breakfast meeting at Balzar between the new owner, Jean-Paul Bucher, who specializes in enhancing the profit margins of old brasseries, and a newly constituted group of regulars called Les Amis du Balzar, who want to ensure that the restaurant does not change.

There was running about the disappearance of *cervelas* sausage from the menu and the introduction of something called the *marmite des poisson*, but for the most part the conversation was high-toned, concerned not with Balzar as a mere eatery but as a precious cultural heritage, what is called a *lieu de memoire* like the Pantheon or the Lascaux caves.

An Alsatian, as by tradition



twice, a week, her Dad likes his wine and the baba au rhum, and he is Alsatian ("Ah, does he speak Alsatian?") inquired Bucher, trying to be friendly, which went down like a lead balloon. There are new dishes on the menu, the woman continued: Can you certify that you do not use the Groupe Flo's kitchens?

Bucher stated that his restaurants have separate kitchens and called upon the chef who said he still deals with his suppliers and inspects each sole. "I cook with the same love I have had for 33 years and there is that personal attack in Le Monde about my sea bass," he said bitterly.

For Valentin it was the *esprit* rather than the fish that mattered and, expressing again his belief that the Flo group means Balzar's ruin, suggested that Bucher sell the restaurant. "I didn't buy it to sell it," Bucher replied shortly and remarked later that he thought Les Amis had gone too far. They had also gone too far in suggesting that only they understood cultural memory.

"Why would I buy a little place like that, so small and special, if I didn't have the idea of cultural conservation? I fight for restaurants that have a history, I love them."

The meeting ended with Bucher agreeing to the conditions of Les Amis: no food from a centralized kitchen, respect for the personnel, the independence of Le Balzar. He further suggested that he hold monthly meetings with Les Amis to hear their views. "Trust me," he said, which they are not about to do. "An entrepreneur as rich as you is surrounded by flatterers, we do not flatter," said an Ami virtuously.

Everyone, as is usual at French meetings, was talking at once. One woman's voice rose to describe a recent lunch with her 83-year-old father at which she found her lamb chop inedible. Her credentials were impeccable: She and her father came at least once, sometimes

an omelette changed by a hard-nosed entrepreneur who might insist on rapid turnover or introduce God forbid — frozen french fries.

And so, when Bucher took over in April Les Amis du Balzar was formed and in late June they staged a dinner-time uprising, standing at their separate tables sharp at 9:30 P.M., according to *Le Figaro*, to protest the cultural heresy of the Groupe Flo's intrusion, to decry lowering standards, to express their solidarity with the staff and to demand, unsuccessfully, that Bucher be summoned at once on his mobile telephone. This was followed by an article in *Le Monde* referring to Bucher as a predator and speaking of escargots mummified by the deep freeze and an overcooked sea bass. Revolution was in the air.

"The Groupe Flo is powerful and unfortunately it is more than likely that they will destroy the Balzar spirit," says Lorenzo Valentin, a young publisher who leads Les Amis du Balzar. By now there are about 500 Amis including a man who has eaten at Balzar twice was 2 years old. The point of Les Amis is that Bucher is quite simply unfit to understand Balzar's cultural context. Some of them argue that a place belongs to those who use it and not only to the person who buys it and that Bucher should desist from running Balzar at all.

The breakfast meeting began with an air of unconvincing conviviality, Bucher ruddy and rich at the middle of a long table with the new manager of Balzar — cool and trim as a meat cleaver — at one end, and the anxious long-time chef at the other. In between were Les Amis telling Bucher he had to meet certain standards to keep their custom:

"Do you want us still to come and what guarantees will you give to make us come?" asked Valentin. "Look, we are here to understand each other," said Bucher (dubious glances). "It would be a pity to take a small jewel like this which

works perfectly well and transform it. I promise not to change it. Do you really think I need Balzar to make a living? I need to defend it along with you."

No one believed a word. How could a mere entrepreneur understand the need to linger over an omelette, find consolation on a bad day from an attentive waiter, and to rely on an unchanging menu (*where is the cervelas?*)? It is a question of culture, not commerce, said Les Amis. His point exactly.

said Bucher: Had he not bought Balzar it would have become a McDonald's (not true, but why should such rhetorical devices be the monopoly of Left Bank eggheads?).

Everyone, as is usual at French meetings, was talking at once. One woman's voice rose to describe a recent lunch with her 83-year-old father at which she found her lamb chop inedible. Her credentials were impeccable: She and her father come at least once, sometimes

as it always has been.

PEOPLE



OPENING NIGHT — The actors Giovanni Ribisi and Natasha Gregson Wagner arriving at the Los Angeles premiere of their movie "First Love, Last Rites."

AGOLF caddy in New York has filed a lawsuit against the actor Michael Douglas, contending that the film star injured him in the testicles with a golf shot. James Parker alleged in his suit filed in Manhattan federal court that his testicles ruptured from the impact of the golf ball and that one testicle had to be removed. Douglas's publicist, Allen Burry, said the actor was "shocked" by the allegations. He said Douglas acknowledged being a member of a foursome that had used the caddy, but denied being the person who struck the ball. "Michael was the one who got help for the guy. He can't believe this," Burry said. "He said: 'This is just ridiculous.'"

A homeless man who admitted to an attempted stalking charge after trying to contact the singer Linda Ronstadt says his only crime was not knowing how to

approach her. "Linda Ronstadt has touched my heart, soothed my soul and occupied part of my mind for twenty-and-some years," Bernard Ortiz wrote to the judge who sentenced him to 10 months in prison. Ortiz, a schizophrenic, was sentenced to three years' probation in June after pleading guilty to attempted stalking. But he violated terms of the deal three weeks later when he sent a package to Ronstadt's relatives, saying it was for her birthday. Court officials said the gift package contained a watch, birthday candles and a letter.

After a six-month search, the Kimbell Art Museum in Fort Worth, Texas, has named Timothy Potts, director of the National Gallery of Victoria in Melbourne, to be its new director. Potts, who will begin his job in early fall, is replacing Edmund Pellsbury, who had been the Kimbell's director for 17 and a half years and had announced his intention to leave in January.

A music promoter has won exclusive rights to the name The Drifters, ending a court battle with a woman whose husband managed the original rhythm-and-blues vocal group. A federal jury awarded exclusive U.S. rights to Larry Marshall, a promoter who since 1976 has used the Drifters' name. He had sued Faye Treadwell, whose husband, George, managed the group from its formation in 1953 until his death in 1967.

The jazz singer Nina Simone blamed racism in the United States for her decision to live abroad for the past 25 years. In Lebanon to sing at a festival, Simone said that as a black person, "I have paid a heavy price fighting the establishment." She did not elaborate.



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